



**REGIONAL
TRIPARTITE WAGES and
PRODUCTIVITY BOARD
NATIONAL CAPITAL REGION**

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**Implementation of Productivity Improvement Program and
Productivity-Based Incentive Schemes for the Tourism Industry
in the National Capital Region**

This Advisory is hereby issued pursuant to R.A.6727, or the "Wage Rationalization Act of 1989", NWPC Guidelines No. 02, series of 2012, or the "Guidelines on the Implementation of the Two-Tiered Wage System", and Wage Order No. NCR-18, which took effect on 04 October 2013, and which provides that the Regional Tripartite Wages and Productivity Board-National Capital Region (hereinafter referred to as Board) shall issue an Advisory to guide business establishments and workers in the formulation, adoption and implementation of productivity improvement program and performance- and productivity-based incentive schemes.

Section 1. Purpose. This Advisory aims to guide enterprises and workers in the tourism industry in the National Capital Region (NCR) in the formulation, adoption, and implementation of productivity and performance-based incentive schemes toward better working conditions, harmonious labor-management relations, higher worker and enterprise productivity, and greater competitiveness of the tourism industry.

Section 2. Coverage. Pursuant to NWPC Guidelines No. 02, series of 2012, the Board has decided to adopt this Advisory for the tourism industry in the National Capital Region. As one of the Key Employment Generators or KEGS, the tourism industry is an economic bright spot which generates both local and foreign investments that create jobs and employment opportunities in the region and ensures foreign exchange inflow to the economy. As enunciated under RA 9593, otherwise known as "Tourism Act of 2009", tourism is an industry of national interest and importance which must be harnessed as an engine of socio-economic growth and sense of national pride for all Filipinos. This Advisory, therefore, aims to contribute to multistakeholder efforts to further enhance the competitiveness of the tourism industry by facilitating the formulation, adoption and implementation of productivity improvement program and performance and productivity-based incentive schemes based on mutual decisions and joint agreements of employers and workers in the industry.

Based on a series of consultations with industry players and stakeholders, including industry associations, industry workers and their organizations, and other concerned government agencies, the following sub-sectors or services classified under the Philippine Tourism Satellite Accounts (PTSA) have been identified as the primary focus of this Advisory and the technical assistance that the Board will provide to covered enterprises in the application of this Advisory:

- 1) Hotels (Accommodation Services);
- 2) Restaurants (Food and Beverage Services);
- 3) Travel Agents and Tour Operators; and
- 4) Health and Wellness Services.

Other tourism-related services, namely transportation (land, sea and air), entertainment and recreation, shopping, miscellaneous (financial, foreign exchange and insurance services) and other related services and enterprises in the value chain of the industry, regardless of their employment size, capitalization and classification, may also use this Advisory as a guide in the formulation, adoption and implementation of their productivity improvement programs and productivity and performance-based incentive schemes. These enterprises may also request technical assistance from the Board in the application of this Advisory.

Section 3. Economic Importance of the Tourism Industry. The Philippine Development Plan 2011-2016 and the corresponding Midterm Update lists the tourism industry as one of the priority sectors on account of its growth prospects and being a key employment generator. As measured by the share of Tourism Direct Gross Value Added (TDGVA) to the total Gross Domestic Product (GDP), the contribution of tourism to the economy is estimated at 6.0% in 2012 amounting to 631.1 billion pesos, which is higher by 10.3% from the previous year's 572.2 billion pesos. For the years 2000-2012, the growth of the TDVGA has kept pace with the growth of the GDP with an average growth of 5.9%.

Moreover, the share of tourism, which cuts among different sectors of the economy, is higher than other core sectors in the 2012 national accounts, namely: construction (5.9%), public administration and defense (4.3%), and electricity, gas and water (3.5%).

On the other hand, the Philippine Tourism Satellite Accounts (PTSA), an Inter-Agency Committee on Tourism Statistics tasked to generate the needed data and statistics on tourism, has noted the economic contribution of tourism starting from the year 2000 up to 2012. There is a significant growth of expenditures by foreign tourists in the last three years (i.e. 2010-2012) at 9.6%, 13.9% and 28.7% respectively. Domestic tourism also registered a positive growth with expenditures of local tourists more than double the expenditures of the foreign tourists with an average of 14.1% for the period 2000-2012.

From 4.7 million foreign tourists in 2013, it is projected that 6.8 million tourists will visit the country this year. Tourist arrivals will increase to 8 million in 2015 and 10 million in 2016. It must be noted that Metro Manila remains as the country's gateway as majority of foreign tourists and visitors enter and exit through the three major airports. In fact, the National Tourism Development Plan estimates that until 2016, in addition to the projected 10 million international visitors, there will be some 35.5 million domestic travelers. The industry will generate US\$ 24.7 billion TDGVA, accounting for 8.1% share of GDP, and employing 6.8 million Filipinos representing 17% of national employment.

This optimistic forecast is expected to be driven in large measure by the development of more tourism clusters, or integrated destinations, all over the country through public-private partnerships. Part of the strategy is to offer tourists a wider choice of activities and sights to visit during their stay. Aside from beaches, swimming and the sun, other attractions being developed include historical sights, natural attractions, religious festivals and fiestas, sports and other adventures, local cuisines, shopping, health and wellness and convention/meeting facilities.

Employment in tourism related services was estimated at 4.2 million in 2012, higher by 10.4% from the previous year's 3.8 million. The share of tourism services to total employment in the country was recorded at 11.3% compared to 10.3% in 2011. Over the last 12 years, employment in tourism related services has grown from about 9% to 11% of the country's total employment. It must be noted that large establishments are mainly concentrated in NCR, which accounts for 52% of the total, employing 61.7% of total industry employment. Moreover, in 2012, 16,025 or 51% of the total 31,408 employees who worked in DOT-accredited establishments – or those establishments complying with the minimum standards in their operations to ensure the safety, comfort and convenience of tourists/guests – were in Metro Manila. Based on the 2009 Survey of Tourism Establishments in the Philippines (STEP), there were 22,240 tourism related establishments in the country, broken down as follows:

Hotel and Restaurants	14,998
Transport Operators/Tour and Travel Agencies	1,430
Health and Wellness	3,797
Other Tourism Characteristic Establishments	2,015
Total	22,240

Section 4. Conceptual and Operational Framework. The formulation, adoption and implementation of productivity improvement program and productivity and performance-based incentive schemes must take into consideration corporate and sectoral circumstances and must be a result of consultations and agreement between management and workers through their duly designated representatives sitting, preferably, in a mutually agreed upon workplace structure, either already existing or still to be constituted, with productivity-related functions. Subject to corporate policies and practices, any productivity improvement program and productivity and performance-based incentive schemes that the bipartite structure or mechanism may adopt shall be subject to final action or decision by top management. The productivity improvement program must be geared toward higher efficiencies through resource maximization, wastage and losses minimization, and errors and mistakes elimination. It must also facilitate the upgrading or adoption of new technologies and innovative work processes to ensure that the enterprise is able to provide superior and quality products and services at least possible cost to its customers in a consistent and sustained manner.

The end result will be better economic performance of the enterprise in the form of higher profitability and better market position. As quality and productivity improvement is made possible by human resources, and higher quality and productivity results in better corporate performance, it is only proper that those who contribute to the attainment of corporate economic goals are duly recognized for their contributions. Sharing the economic gains of the enterprise based on productivity- and performance-based incentive schemes jointly formulated, adopted and implemented by management and workers, through their representatives, will ensure that productivity improvement is sustained, harmonious labor-management relations is ensured, better working conditions is maintained, and corporate objectives are pursued according to plan and deliver desired organizational results.

Section 5. Implementing Guidelines. The management, in consultation with workers and their organization, may initiate the formation of a bipartite structure to develop and implement productivity improvement program and productivity and performance-based incentive schemes. Where there already exists a bipartite workplace mechanism with similar or related functions, the management in consultation with workers and their

organization, may adopt the same for purposes of this Advisory. Said bipartite workplace structure or mechanism, which may be a Committee or council on productivity enhancement (ComPEte), may be vested with the following responsibilities and functions, in addition to those that may be agreed upon by management and workers:

- a) Formulation, implementation and management of productivity improvement program pursuant to organizational goals and objectives; and
- b) Formulation, implementation and management of productivity- and performance-based incentive schemes, including the adoption of appropriate parameters and criteria for the granting and administration of productivity- and performance-based incentives to qualified employees. Such parameters and criteria may include performance standards and other indicators that may be quantified, verified, qualified, monitored and evaluated, such as individual or unit physical outputs, attendance, feedback from clients and customers, and the like, as well as the computation and mechanisms for distribution of productivity- and performance-based incentives. As much as practicable, the top management shall ensure that the bipartite structure that will be tasked to formulate, implement and manage the company's productivity improvement program and productivity- and performance-based incentive schemes is given full support to do its job, including provision of respectable space for its operations, access to financial records of the company subject only to restrictions as a matter of corporate policy, and such other administrative and technical support as may be necessary.

Section 6. Technical Support. The Board, through its Secretariat, shall provide technical assistance to enterprises in the application of this Advisory. Specifically, it shall provide the following:

- a) Capacity building and consulting services, especially to micro, small and medium enterprises (MSMEs) in designing quality and productivity improvement programs and gain sharing schemes;
- b) Productivity training programs, such as 5S or Good Housekeeping, Industrious, Systematic, Time Conscious, Innovative, and strong Value for Work (ISTIV) modules for manufacturing enterprises, and Service Quality for service establishments; and
- c) Work Improvement Measurement studies (Time and Motion Studies).

The Board Secretariat shall also coordinate with other government agencies and private institutions to facilitate the availment of enterprises of their services on productivity improvement, including advisory and training programs.

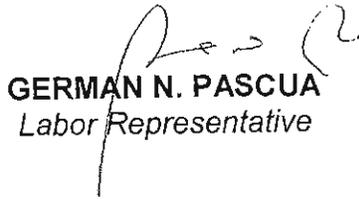
Section 7. Advocacy, Monitoring and Assessment. The Board, through the Secretariat, shall conduct information and awareness campaigns on this Advisory and other issuances on productivity that it may issue hereafter. The Secretariat shall coordinate with DOLE-National Capital Region to ensure that this Advisory and other productivity-related information, education and communication (IEC) materials are integrated in its labor education and employment programs. The Board shall monitor and assess the implementation of this Advisory. Enterprises are also encouraged to notify the Board of the adoption of any and all productivity-based incentive schemes and gain-sharing programs.

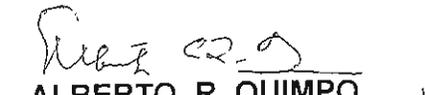
Section 8. Effectivity. This Advisory shall take effect fifteen (15) days after its publication in a newspaper of general circulation.

APPROVED, Manila, Philippines, 30 September 2014.


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“ANNEX”

In relation to Sections 4 and 5 of this Advisory, covered establishments may use the following guidelines in the formulation, implementation and management of productivity improvement programs (PIPs) and productivity-based incentive schemes (PIS) pursuant to the two-tiered wage system.

A. How To Implement PIPs and PIS

1. The establishment may use an existing workplace scheme with productivity functions or in case no such structure yet exists, may organize a labor-management committee on productivity enhancement (**ComPEte**) composed of management and employees' representatives.
2. The committee may be tasked, among others, to formulate, implement and manage, subject to final approval of top management, the following:
 - a. Productivity improvement program for higher efficiencies to generate savings;
 - b. Productivity improvement program for quality, error-free and innovative products and services at the least possible cost; and
 - c. Productivity incentive schemes which may be funded from savings generated from productivity improvement programs as a result of resource use maximization, wastages and losses minimization, and errors and mistakes elimination.
3. The committee may adopt appropriate parameters and criteria for the grant and administration, including computations and distribution, of incentives to qualified employees, such as but not limited to:
 - a. Performance standards and indicators which can be monitored and evaluated;
 - b. Individual or unit physical outputs;
 - c. Attendance;
 - d. Feedback from clients and customers; and
 - e. Individual or unit contribution in the identification and successful implementation of productivity improvement initiatives.

B. Possible performance standards and indicators

The committee may consider, as may be useful and applicable to company's circumstances, any or all of the following standards and indicators:

- 1) Amount of savings generated:
 - a) $(\text{Cost of raw materials and utilities} / \text{Number of customers})$ for the year in review minus $(\text{Cost of raw materials and utilities} / \text{Number of Customers})$ from the previous year
- 2) % reduction in the cost of reworks/correction of errors
- 3) % reduction in the spoilage of food products and raw materials with expiry dates
- 4) Improvement in maintenance/repair of equipment, including vehicles
- 5) Attendance record:
 - % reduction in tardiness
 - % reduction in absences
- 6) Health and safety performance
 - Zero accident
 - Number of man-hours lost

The productivity improvement program on the provision of quality, error-free and innovative products and services may be measured by the following indicators:

- a) Number of innovative products and services introduced
- b) Increase in Revenues
(Total Sales—Total Cost) of year in review minus (Total Sales—Total Cost) of previous year
- c) Increase in the number of customers
- d) Increase in occupancy rate (for hotels)
- e) Customer Feedback
 - Increase in positive or favorable comments
 - Decrease in complaints and negative comments

The Customer Feedback may be improved by an evaluation of the following requirements of service quality:

- a) Ability to provide what is promised dependably and accurately
 - b) Knowledge and courtesy of employees and their ability to convey trust and confidence
 - c) Caring and individual attention provided to customers
 - d) Willingness to help customers and provide prompt service
 - e) Appearance of facilities and surroundings and grooming of personnel
4. Fund for Incentives = (Savings Generated from Productivity Improvement Program I) + (Additional Revenues from Productivity Improvement Program II)
- The Fund may be divided into a % share for the enterprise and a % share for workers as agreed by the Committee and the establishment.
 - The incentives may be divided equally among qualified employees.
 - The incentive may be given annually once the Audited Financial Statements become available or the enterprise may use other frequency options depending on its needs.