



WAGE ADVISORY NO. RTWPB V-01

Series of 2013

**ADVISORY ON THE IMPLEMENTATION OF PRODUCTIVITY-BASED INCENTIVE
SCHEME FOR TRANSPORT INDUSTRY IN THE BICOL REGION**

Section 1: Rationale

- a. Pursuant to Republic Act No. 6727, otherwise known as the *Wage Rationalization Act*, and NWPC Guidelines No. 2, Series of 2012, the Regional Tripartite Wages and Productivity Boards (RTWPBs) are mandated by law to adopt reform that supports the current minimum wage setting based on the needs of workers, employers' capacity to pay and the requirements of social and economic development;
- b. The adoption of the Two-Tiered Wage System (TTWS) aims to more effectively protect vulnerable workers and promote productivity improvement and gainsharing schemes among enterprises;
- c. The Two-Tiered Wage System has two components namely *Tier One* which is the minimum wage and *Tier Two* which is the incentive pay based on productivity improvement and gainsharing;
- d. Region V is a fast growing tourist destination in the country. The transport industry help sustained the growth of local and foreign tourist arrival. It generates jobs hence, the need to assist and enhance the workers' compensation and benefit.
- e. Based on economic growth, needs of workers, studies and the public consultation made in Naga City on November 27, 2013 on the transport industry, the adoption of a voluntary productivity-based pay over and above the minimum wage for workers in the form of incentive schemes agreed upon by the employer and workers through labor-management committee is encouraged;
- f. The voluntary Productivity Incentive Scheme, to put simply, is an enterprise scheme designed to improve productivity, performance or skill in order to raise output and revenue as bases for the fair and reasonable sharing of productivity gains;
- g. The Productivity-based Incentive Pay is given in recognition of the worker's contribution in the over-all improvement and productivity performance of the establishment/industry.

Section 2. Definition of Terms

- a. Advisory – refers to the guidelines issued by the Board to provide information as inputs to enterprise-level discussions on productivity-based incentives schemes;
- b. Board – refers to the Regional Tripartite Wages and Productivity Board V;
- c. Commission – refers to the National Wages and Productivity Commission;
- d. Productivity-Based Pay (PBP) – refers to productivity pay increase and bonuses given to workers based on agreement between workers and management;
- e. Regional Office – pertains to the DOLE Regional Office V;

Section 3. Identification of Priority Industry

A. Regional Economic Performances

a.1. Economic Growth

The gross regional domestic product (GRDP) of Region 5 expanded by 7.1 percent in 2012, four times faster than the 1.9 percent growth in 2011, and higher than the country's 6.8 percent growth rate. The region ranked 9th in terms of GRDP growth rate and 12th in value among 17 regions of the country. GRDP in 2012 amounted to P124.49 billion, an increase from P114.11 billion in 2012. However, per capita GRDP amounted to only P22,312.00 in 2012 (Table 1), the 2nd lowest among the country's regions.

The industry sector registered the highest growth in GRDP (16.1%) followed by the service sector (6.1%) and the agriculture, hunting, forestry and fishing (AHFF) sector (2.9%).

The service sector remained as the highest contributor to the region's GRDP in 2012 with 56 percent share. The industry sector has 19.6 percent while the AHFF has 24.4 percent share. The highest contributors to the service sector GVA were other services (10.8%) where tourism industry is included, and the transport and communication industry (12.6%)(Table 2).

a.2. Employment

The high GRDP growth had a positive effect on the Region's employment rate which increased from 94.7 percent in October 2011 to 95.1 percent in October 2012. Correspondingly, unemployment rate in the Region decreased from 5.3 percent to 4.9 percent during the same period (Table 3).

a.3. Labor Productivity

Labor Productivity increased slightly by 1.6% from P56,029.00 in 2010 to P56,932.00 in 2011. Bicol labor productivity is way below the national average of P158,758.00 and is the second lowest next to ARMM. Labor productivity is the ratio of the GRDP to the number of employed persons.

a.4. Other Major Economic Developments in the Region

Bicol Region is among the country's fastest growing region since 2009 and is expected to expand more. The Region is booming mainly due to tourism-related activities. Tourist arrivals increased at an average rate of 9 percent from 3.12 million in 2010 to 3.69 million in 2012. Foreign tourists totaled to 772,886 in 2012, with an increase of 7 percent from 681,134 in 2010 while the number of domestic tourist increased at an average rate of 9 percent from 2.41 million in 2010 to 2.9 million in 2012 (Table 4). It is recorded as one of the most visited regions and the industry expects favorable business for the coming years.

The increase in tourist arrivals is attributed to several factors such as aggressive tourism promotion, development of new tourism products, capability-building of LGUs and communities, upgrading of tourism establishments and improvement of connectivity of tourist destinations through the Department of Tourism and Department of Public Works and Highways Convergence Program. Under the program, there were six tourism road projects implemented which amounted to P579.46 million in 2012.

Increased investments in the Bicol Region's transportation sector was also noted as transportation companies were given easier access to financing compared to previous years. Credits extended to transport operators grew by 15.9 percent. Bangko Sentral ng Pilipinas maintains its key policy interest rates at 3.50 percent.

B. Priority or Growth Industries

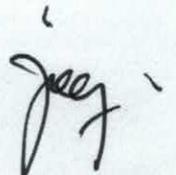
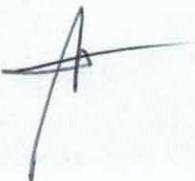
In support of inclusive growth and poverty reduction, tourism and rural enterprises shall be the drivers of growth of the region. These industries generate more jobs at the local level. Transportation and communication industry will play a significant role to support tourism and rural enterprises development in the region.

C. Outlook

The Bicol Development Plan for 2011-2016 envisions the region as the most livable region in the country. This means that poverty is reduced, adequate high paying jobs and livelihood opportunities are available, products and services are globally competitive, and people are safe and secured.

The gross regional domestic product is expected to grow from 2.6 percent in 2011 to 7-8 percent in 2016. The labor force participation will increase and employment rate will increase.

The transport systems will be integrated, efficient and able to handle increased volume of passengers and cargo. The plan targets include increased number of passengers and cargo in air, water and land transportation and increased number of telecommunication and internet subscribers.



Section 4. Coverage

This Advisory covers the Transport Industry in the Bicol Region. The public transport referred to herein specifically refers to the utility vehicle (UV) express vans, taxis, jeepneys plying the major highways/roads in the Region.

The transport industry is considered viable to adopt and implement Tier Two. The same is herein identified as priority growth industry considering its contribution to regional economic growth, increased investments, share on employment and labor productivity, and significant role in the development of tourism and rural enterprises in the Bicol Region.

Section 5. Creation of Tier Two Committee

The enterprises/establishments may create a Labor-Management Committee or any other committee whose main function is to develop productivity improvement programs which will include measuring productivity, frequency, coverage and form of payment, among others.

Section 6. Existing Committee

For those enterprises with already existing productivity and incentive committees performing similar functions as stated above, the same maybe retained or revised considering the parameters set herein.

Section 7. Existing Productivity-based Pay

Existing similar practices of the industry on the granting of productivity-based pay may be credited as compliance with Tier Two. However, amendments thereto which may improve the grant of the same is encouraged.

Section 8. Nature of Implementation

The implementation of the productivity-based pay is voluntary, subject to compliance monitoring by the Regional Office.

Also, the productivity-based pay and incentives shall be company-wide in its application, including the workers of legitimate contractors/subcontractors in the principal enterprise.

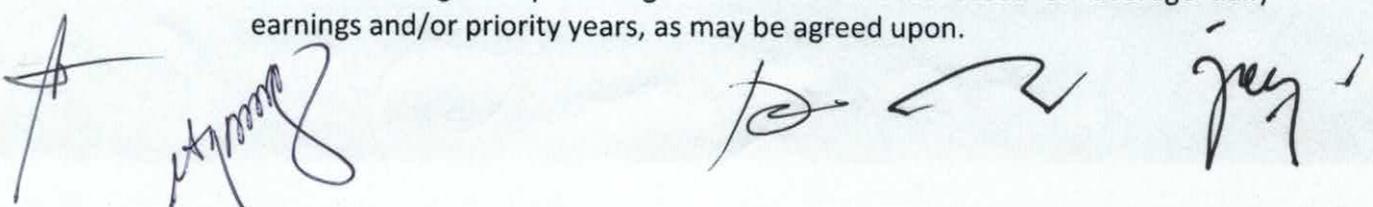
Section 9. Suggested Formula for Productivity-Based Pay

 The performance-based wage component may be based on business performance, safety performance and other relevant parameters. The formula used for performance-based pay applied to buses under DOLE Department Order 118-12 may also be applied, to wit:

Reference Amount of Performance Incentive = (Current Average Daily Earnings – Fixed Wage) x Y%

Where:

- i. Current average daily earnings shall be estimated based on average daily earnings and/or priority years, as may be agreed upon.



- ii. Y – range of values (in percent) that correspond to various levels of safety performance, such that:
- The lower the incidence of traffic violations and road accidents, the higher will be the value of Y and the performance incentive
 - The higher the incidence of traffic violations and road accidents, the lower will be the value of Y and the performance incentive

Section 10. Technical Assistance

The Wage Board and the Regional Office may, at the request of the establishment which adopts Tier Two, provide the necessary technical assistance to the same in the implementation of this Advisory. The Board shall provide capacity building and consulting services, especially to micro, small and medium enterprises in designing quality and productivity improvement program and gainsharing schemes through:

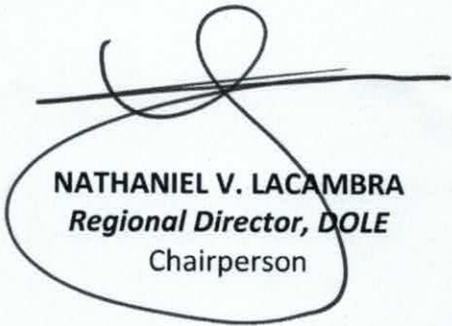
- i. Productivity training programs such as 5S or Good Housekeeping; ISTIV modules for manufacturing enterprises; Service Quality for service establishments; and Green Productivity; and
- ii. Work Improvement Measurement Studies (Time and Motion Studies) and Facility Evaluation.

Section 11. Effectivity

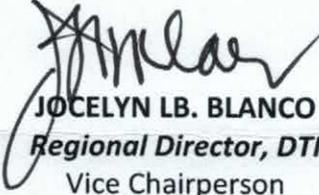
This Advisory shall take effect immediately.

Legazpi City, Albay, March 28, 2014.

APPROVED:



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**Table 1. GROSS REGIONAL DOMESTIC PRODUCT
2010-2012
(At Constant 2000 Prices)**

INDUSTRY	2009 In Thousand	2010 In Thousand	2011 In Thousand	2012 In Thousand	Growth Rate		
					2009-10 %	2010-11 %	2011-12 %
PHILIPPINES	5,297,239,770	5,701,539,196	5,908,999,733	6,311,670,842	7.6	3.6	6.8
NCR METRO MANILA	1,898,573,862	2,038,178,776	2,101,687,899	2,255,116,040	7.4	3.1	7.3
CAR CORDILLERA	112,792,966	120,136,274	121,728,409	122,967,777	6.5	1.3	1.0
I ILOCOS	168,426,092	179,927,789	184,246,599	193,741,846	6.8	2.4	5.2
II CAGAYAN VALLEY	100,691,791	99,839,760	105,434,223	114,064,995	-0.8	5.6	8.2
III CENTRAL LUZON	464,403,057	510,617,864	546,830,485	581,382,134	10.0	7.1	6.3
IV A CALABARZON	903,910,748	1,009,389,533	1,026,046,727	1,097,720,281	11.7	1.7	7.0
IV B MIMAROPA	102,146,657	101,835,838	104,987,077	109,428,311	-0.3	3.1	4.2
V BICOL	110,301,848	114,109,823	116,241,121	124,491,331	3.5	1.9	7.1
VI WESTERN VISAYAS	217,481,681	227,241,684	241,412,643	259,428,707	4.5	6.2	7.5
VII CENTRAL VISAYAS	301,882,912	340,700,776	363,901,202	397,651,690	12.9	6.8	9.3
VIII EASTERN VISAYAS	146,419,070	150,799,368	153,893,711	144,346,537	3.0	2.1	-6.2
IX ZAMBOANGA PENINSULA	115,411,480	117,018,919	117,182,723	131,695,644	1.4	0.1	12.4
X NORTHERN MINDANAO	198,117,878	210,965,521	223,160,739	239,677,173	6.5	5.8	7.4
XI DAVAO REGION	205,705,040	217,313,462	225,455,325	242,230,400	5.6	3.7	7.4
XII SOCCSKSARGEN	148,069,604	151,318,180	159,309,865	172,262,219	2.2	5.3	8.1
XIII CARAGA	58,272,211	64,534,772	70,002,372	77,426,887	10.7	8.5	10.6
ARMM MUSLIM MINDANAO	44,632,876	47,610,858	47,478,614	48,038,871	6.7	-0.3	1.2

Source: National Statistical Coordination Board

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Table 2. GROSS REGIONAL DOMESTIC PRODUCT BY ORIGIN
Growth Rates, Region V: 2010-2012
(At Constant Prices)

INDUSTRY	2010-11 (In Percent)	2011-12 (In Percent)
Agriculture, Hunting, Forestry and Fishing	0.8	2.9
Agriculture and Forestry	1.2	3.1
Fishing	-0.5	2.5
Industry Sector	-2.6	16.1
Mining and Quarrying	-4.0	11.8
Manufacturing	24.4	5.0
Construction	-12.7	25.8
Electricity, Gas and Water Supply	3.2	9.3
Service Sector	3.9	6.1
Transport, Storage and Communication	6.5	10.2
Trade and Repair of Motor Vehicles, Motorcycles, and Household Goods and Household Goods	3.3	9.7
Financial Intermediation	-0.1	10.9
Real Estate, Renting and Business Activities	3.5	2.3
Public Administration and Defense; Compulsory Social Security	0.2	5.0
Other Services	7.0	1.9
Gross Regional Domestic Product	1.9	7.1

1. Transport Industry included in Transport, Storage and Communication Service Sector

Source: National Statistical Coordination Board

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**Table 3. LABOR FORCE, EMPLOYMENT AND UNDEREMPLOYMENT RATES
REGION V (2011-2012)**

Indicator	2011	2012
Labor Force Rate	64.2	65.5
Employment Rate	94.7	95.1
Unemployment Rate	5.3	6.2
Underemployment Rate	37.1	34.6

Source: National Statistics Office

**Table 4. Travelers (Domestic and Foreign)
Region V: 2009-2012**

Year	Foreign		Domestic		Total Travelers	Growth Rate
	Number	Percentage	Number	Percentage		
2009	447,641	19.57	1,839,724	80.43	2,287,365	75.00%
2010	681,134	21.82	2,441,022	78.18	3,122,156	36.49%
2011	742,038	21.73	2,671,572	78.27	3,413,610	9.33%
2012	772,886	20.97	2,911,919	79.03	3,684,805	8.00%
Total		100.00		100.00		

Source: Department of Tourism