



Republic of the Philippines
 Department of Labor and Employment
 National Wages and Productivity Commission
REGIONAL TRIPARTITE WAGES AND PRODUCTIVITY BOARD
 Region VII, Central Visayas



**ADVISORY ON THE IMPLEMENTATION OF PRODUCTIVITY- BASED
 INCENTIVE SCHEMES FOR HOTEL, RESORT AND
 RESTAURANT INDUSTRY IN CENTRAL VISAYAS**

By virtue of the power and authority vested under Republic Act No. 6727, otherwise known as the Wage Rationalization Act of 1989, the Regional Tripartite Wages and Productivity Board VII, hereby issues the Productivity-Based Advisory for the Hotel, Resort and Restaurant Industry in Central Visayas.

Section I. Purpose. This advisory on the implementation of Productivity-Based Incentive Scheme is issued pursuant to NWPC Guidelines No. 2, series of 2012 on the Implementation of the Two-Tiered Wage System (TTWS), which provides for pay system consisting of : 1) First- tier or mandatory minimum wage and the 2) Second – tier or voluntary productivity-based pay scheme based on agreements between the workers and management.

The adoption of productivity improvement and gain sharing programs is consistent with the government's goal of strengthening the link between productivity and pay in order to improve enterprise competitiveness and achieve higher level of productivity to preserve and generate jobs and augment the income of workers.

The implementation of the advisory is voluntary and aims to encourage enterprises to adopt productivity improvement programs in recognition of workers' contribution and share in the fruits of production and serves as guide for enterprises on a range of productivity incentives which may be the basis for the grant of mutually agreed pay above the existing minimum wage.

Section II. Basis for Productivity-Based Incentives for Hotel, Resort and Restaurant Industry. Tourism industry is one of the growth drivers in Central Visayas not only in terms of its contribution to the Regional Gross Domestic Product (GRDP) and employment generation but also its potential for expansion and development of other industries. The hotel, resort and restaurant services being a major player of the tourism industry was considered for the pilot implementation of the productivity-based pay considering its contribution to the tourism industry output and employment and its potential for expansion in the region.

RTWPB VII conducted series of consultations with stakeholders of the hotels, resorts and restaurants in the cities of Cebu and Bohol on May 13, June 25 and July 24, 2014 to generate inputs on the existing practices of the industry in terms of productivity-based incentives which were considered by the Board in crafting the advisory. Technical assistance in the formulation of the incentive schemes was provided by Well-made Motors and Development Corporation.

Section III. Industry Performance and Prospects

The high performance of the tourism industry in Central Visayas together with the business process management (BPMs) and real estate industries have fuelled the sustained growth of the region's economy recorded at 7.4 per cent in 2013. The services sector, wherein the hotels and restaurants are included as part of other services manifested the 2nd highest growth of 6.9 per cent (Attachment A).

Data of NSO on the List of Establishments indicated a total of 10,268 accommodation and food service establishments in the region, accounting for the 2nd highest number of establishments

and the fastest growing industry in 2012. Majority (88.0%) were classified as micro enterprises and 11.6 per cent as small enterprises.

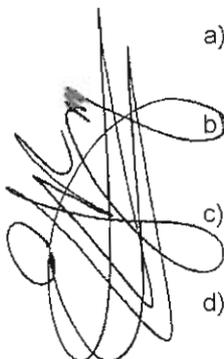
The industry posted the 2nd highest growth in employment from 2011 to 2012 at 44.0 per cent. Employment generated by the industry in 2012 reached 61,553, with the small enterprises (10-99 workers) employing the most number of workers (44.8%). Latest census of establishments likewise indicated that average annual compensation per employee for accommodation and restaurant services with 20 workers and over was P122,332 or P392 daily in 2012, which was higher than the daily minimum wage of P327 in Central Visayas during the same period.

The growth prospect of the hotel, resort and restaurant industry will continue to be positive with the forthcoming major events in the region such as the APEC Conference and International Eucharistic Congress.

Section IV. Coverage. This advisory applies to hotel, resort and restaurant establishments employing more than ten workers, but will not prejudice those with less than ten workers to provide similar incentives.

Section V. Implementation of Productivity-Based Incentive Program. Enterprises covered by the advisory shall ensure that 3-5 per cent of gross sales generated during the year shall be recommended for productivity-based incentives of workers. The productivity-based incentive programs herein recommended shall be used as bench mark and reference for the hotel, resort and restaurant industry in adopting and implementing its own productivity incentive program.

Productivity-based incentives provided to workers include any intervention or systematic process designed to increase productivity of the various factors such as labor, capital, materials and utilities. The range of productivity-based incentives may be based on increase in gross sales and reduction in cost of operations. The components for measuring the productivity-based incentives may include the following:

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- a) Attendance/Absences – exclude paid leaves such as vacation, sick and service incentive leave. May be applicable to all rank and file employees and exclude managerial and supervisory employees
 - b) Performance – include parameters for evaluating employees work performance such as increase in customer/guest served, increase in occupancy rate, growth in sales or other work performance measurements adopted by establishments
 - c) Customer Service – include parameters for assessing service quality such as complaints received, compliments or positive feedback received or other service quality performance measurements adopted by hotels, resorts and restaurants
 - d) Cost Reduction – parameter which measure cost reduction initiatives such as decrease incidence of breakages, decline in number of meals/rooms cancelled, decrease in electricity consumption and other cost reduction measurements adopted by covered establishments

Suggested/recommended productivity-based incentive schemes are illustrated in Attachment B.

Section V. Creation of Labor and Management Committee. Establishments are enjoined to create or tap existing labor-management structures/committees to design and implement a productivity incentive program for the company and monitor/assess implementation of the productivity improvement programs.

Section VI. Technical Assistance and Monitoring. RTWPB VII shall provide upon request the following: a) technical assistance in the formulation of productivity incentive programs; b) conduct productivity improvement programs such as 5S, Service Quality, Green Productivity, ISTIV; c) conduct work improvement measurements such as time and motion studies and facility evaluation;



It shall likewise conduct monitoring and documentation of best productivity improvement practices in the industry with assistance from the Labor and Management Committees of establishments.

Section VII. Non-Diminution of Benefits. Nothing herein shall be construed to diminish or reduce any benefits and privileges being enjoyed by employees at the time of the issuance hereof.

Section VIII. Effects on Existing Company Policy, Contracts or CBA. The benefits provided herein shall be without prejudice to any company policy, contract or collective bargaining agreement providing better terms and conditions of employment.

Section IX. Provision of Non-Wage Benefits. Establishments are encouraged to provide non-wage benefits such as transportation, rice, grocery and other forms of non-monetary benefits.

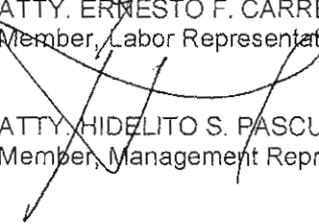
Section X. Applicability of RA 6971. Hotel, resort and restaurant establishments adopting and implementing productivity-based incentive and gain-sharing programs may avail of tax incentives and benefits under R.A. 6971 or the Productivity Incentives Act. The Board may refer firms with productivity-incentive schemes to the Bureau of Internal Revenue for queries relating to documentary requirements for availment of tax deduction and benefits under R.A. 6971.

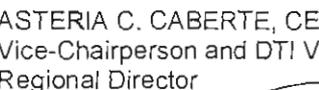
Section X. Recognition of Successful Productivity Practices. In line with DOLE's policy of incentivizing compliance system, establishments which have successfully applied and implemented productivity improvement practices, shall be recognized and given awards to encourage other industries to adopt productivity improvement programs.

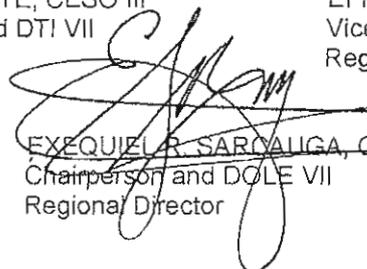
Section XI. Implementation Mechanism. The advisory on productivity-based incentives shall be implemented in coordination with industry partners such as the Department of Tourism (DOT) Region VII, Hotel, Resort and Restaurant Association of Cebu (HRRAC), Bohol Association of Hotel, Resort and Restaurant (BAHRR), Negros Oriental Hotel, Resort and Restaurant Association (NOHRRRA) and Siquijor Hotels, Resorts, Restaurants and Travel Agencies Association (SHORRETAS) and others.

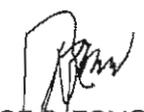
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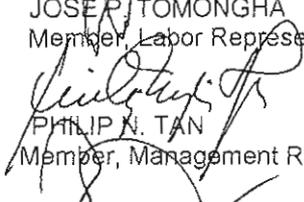

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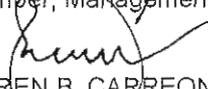

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Attachment 2
 Template for the Recommended Productivity-Based Incentive Scheme for Hotels, Resorts and Restaurants
 Central Visayas Region

TABLE 1 - RESTAURANTS

Name of Employee	Attendance No. of days Present/Month (a)	Weight 10% (b)	Performance No. of Customers Served (c)	Weight 50% (d)	Service Quality *No. of Complaints (e)	Weight 30% (f)	Cost Reduction Incidence of Breakages (g)	Weight 10% (h)	Total Weighted Rate (i)	Monthly Amount of Incentives (j)
A	25	0.09	450	0.06	2	0.08	1	0.0825	0.07	1351.49
B	25	0.09	600	0.08	1	0.08	8	0.0764	0.08	1542.86
C	24	0.08	500	0.07	7	0.07	10	0.0747	0.07	1359.36
D	23	0.08	480	0.07	0	0.08	9	0.0755	0.07	1379.15
E	20	0.07	620	0.09	6	0.08	5	0.0790	0.08	1504.94
F	16	0.06	550	0.08	4	0.08	6	0.0781	0.08	1400.60
G	18	0.06	580	0.08	12	0.07	7	0.0773	0.08	1393.10
H	21	0.07	550	0.08	2	0.08	8	0.0764	0.08	1444.43
I	22	0.08	550	0.08	8	0.07	12	0.0729	0.08	1401.00
J	22	0.08	550	0.08	5	0.08	7	0.0773	0.08	1430.81
K	22	0.08	550	0.08	10	0.07	4	0.0799	0.08	1399.39
L	23	0.08	566	0.08	3	0.08	9	0.0755	0.08	1469.44
M	24	0.08	577	0.08	4	0.08	10	0.0747	0.08	1481.42
Total	285		7123		64		96			18558.00

Target Monthly Gross Sale: 1,200,000.00
 Rate of Incentive: 1.50%
 Incentives for Employees: 18,000.00
 Total Incentives: 18,558.00
 No. of workers: 13

Target Reduction in Costs: 37,200.00
 Rate of Incentive: 1.50%
 Incentive for Employees: 558.00

Total Cost: 62% of Gross Sales: P 774,000
 Target Reduction in Cost: 5% of Total Cost
 Recommended Rate for Incentives: 3.0%
 of Gross Sale & Reduction of Cost

b) $25/285 = .09$
 d) $450/7123 = .06$
 f) $1-(2/64)/13-1 = .08$
 h) $1-(1/69)/13-1 = .08$
 i) $=(.09 \times .10) + (.06 \times .50) + (.08 \times .30) + (.08 \times .10) = .07$
 j) $=.07 \times 18,558 = 1351.49$
 * Can also include:
 No. of Complaints

TABLE 2 - FOOD AND BEVERAGES DEPARTMENT

Target Gross Sale:	P1,200,000	Target Reduction in Costs	17,200.00	Target Cost : 62% of Share to Gross Sale
Target Share to Gross Sale:	553,846.00	Rate of Incentive	1.50%	Target Reduction in Cost : 5% of Cost
Rate of Incentive	1.50%	Incentive for Employees	258.00	
Incentives for Employees	8,307.69			
Total Incentives	8,565.69			
No. of workers	6			

Attendance No. of Days Present/Month (a)	Weight 10% (b)	Performance No. of Tables served (c)	Weight 50% (d)	Service Quality No. of Complaints (e)	Weight 30% (f)	Cost Reduction Incidence of Breakages (g)	Weight 10% (h)	Total Weighted Rate (i)	Amount of Incentives (j)
A	25	450	0.14	0	0.20	3	0.1571	0.16	1406.24
B	24	600	0.19	4	0.13	5	0.1286	0.16	1402.90
C	23	500	0.15	3	0.15	3	0.1571	0.16	1331.17
D	22	480	0.15	2	0.17	0	0.2000	0.16	1377.75
E	15	620	0.19	1	0.18	1	0.1857	0.18	1548.89
F	24	580	0.18	2	0.17	2	0.1714	0.17	1498.75
Total	133	3,230		12		14			8565.69

b) $25/133 = .19$

d) $450/3230 = .14$

f) $1(0/12)/(6-1) = .20$

h) $1(3/14)/(6-1) = .16$

i) $(.19 \times .10) + (.14 \times .50) + (.20 \times .30) + (.16 \times .10) = .16$

j) $8565.69 \times .16 = 1406.24$

HOTEL, RESORT AND RESTAURANT INDUSTRY PROFILE

Central Visayas

Tourism is one of the major industries in the country not only in terms of its contribution to Gross Domestic Product (GDP) but also in employment generation. Central Visayas being a tourism - oriented region, considers the sector as one of the growth drivers due to its increasing share in the regional output and employment.

According to the Philippine Standard Industrial Classification (PSIC), tourism industry is disaggregated into two sub-sectors: hotel and restaurant. The hotel sub-sector includes the various lodging units while the restaurant sub-sector includes places that serve food and drinks.

INDUSTRY STRUCTURE

As tourism serves as the main market for hotel and restaurant services, the increase in visitor arrivals in the country resulted in corresponding boom in the hotel and restaurant industry in the region. As of June 2012, the Department of Tourism (DOT) reported a total of 1,358 tourism establishments in the region with 31,905 room capacity. The region has the highest number of tourism establishments in the country, accounting for 19.2%. In terms of number of rooms, the region's share of 17.0% is 2nd to NCR. Distribution according to geographic location show that more than half (55.0%) of the facilities are in Cebu, 28.2% (383) in Bohol and 11.7% (159) in Negros Oriental.

The NSO census of establishments indicated a total of 10,268 accommodation and food service activities in the region in 2012 from 7,727 in 2011, representing 32.9% increase. The sector also constitute about 15.3% of the total establishments. Microenterprises accounted for the bulk (9,030 or 87.9%) of the accommodation and food services establishments. Small enterprises share about 11.6%, while medium and large account for less than one percent of the hotel and restaurant establishments in the region.

PERFORMANCE

1. Contribution to National and Regional Economy

In terms of contribution to the national economy, the tourism direct gross value-added (TDGVA) share was 10.3 % in 2012 from 9.2% in 2011. Based on the Philippine Tourism Satellite Account (PTSA) data, the TDGVA amounted to P631billion in 2012, higher by 10.3% to the 2011 TDGVA of P523.9 billion. Among the tourism-characteristic industries, entertainment and recreation posted the biggest share to TDGVA at 19.6% in 2012, followed by miscellaneous (financial and insurance and health and wellness) at 14.6% and food and beverages services at 12.0%.

Tourism expenditure, both inbound (expenditure of non-resident visitors) and domestic continued to increase as it showed double-digit growth of 17.6% in 2012, amounting to P882 billion in 2012 from P699.6 billion in 2011. Accommodation services, shopping and miscellaneous topped the list consumption products among tourists.



In Central Visayas, there are no available data on the contribution of tourism to the Regional Gross Domestic Product (GRDP). However, based on the tourism characteristic industries such as transportation, finance, trade and other services, these sectors contribute about 40.0% to the regional economic output.

2. Contribution to Employment

At the national level, employment in tourism industries was estimated at 4.2 million in 2012, higher by 10.4% from the 2011 employment of 3.8 million. The share of tourism employment to total employment increased to 11.3% from 10.3% in 2011. The bulk of employment was generated by the transport and accommodation and food services.

In Region VII, job generated from accommodation and food services was estimated at 61,553 in 2012, from 42,698 in 2011 or an increase of 44.1%. The share of accommodation and food services to total employment was 9.5% in 2012 from 8.9% in 2011. With the inclusion of other tourism activities such as transport, financial, trade and other services, the tourism sector's contribution to employment would increase to 35.0%.

3. Tourist Arrivals

Data from Department of Tourism (DOT) indicated an increase of 10.3% tourist arrivals in 2011 from 2.37 million in 2010 to 2.61 million in 2011. The region's share to total tourist arrival declined from 10.8% in 2010 to 10.0% in 2011. Domestic tourists account for 60.0% of tourist arrivals in 2011 and 2012.

Recommendations

Cognizant of the major contribution of the tourism industry to the economic output and employment generation and considering its potential for expansion and development of other industries in terms of its forward (market) and backward (supplier) linkages, the industry can be considered as pilot industry for the implementation of the productivity or performance-based wages.

