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PRODUCTIVITY BOARD  
NATIONAL CAPITAL REGION**

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**WAGE ADVISORY NO. NCR – 02**

*Series of 2016*

**Implementation of Productivity Improvement Program and  
Productivity – Based Incentive Schemes for the Tourism and  
Education Industries in the National Capital Region**

This Advisory is issued pursuant to RA 6727, the Wage Rationalization Act of 1989 and NWPC Guidelines No. 02, series of 2012, the Guidelines on the Implementation of the Two-Tier Wage System. The First Tier is a mandatory Wage Order setting the regional Minimum Wage and the Second Tier is a voluntary Wage Advisory encouraging enterprises in priority industries to establish a productivity improvement program with an accompanying bonus/incentive scheme based on agreement between workers and management.

**Section 1. Purpose.** This series of Wage Advisories aims to guide enterprises and workers in the National Capital Region (NCR) in the formulation and implementation of a productivity program toward better working conditions, harmonious labor-management relations, higher worker and enterprise productivity, and greater competitiveness of the concerned industries.

**Section 2. Coverage.** Under Wage Advisory No. NCR-01, series of 2014, the following Tourism services have been identified as the primary focus of the Advisory and the technical assistance that the Board will provide to covered enterprises:

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

Wage Advisory No. NCR-01, series of 2014, shall continue to be in full force and effect. Wage Advisory No. NCR-02, series of 2016, puts emphasis on the coverage of two more Tourism services and adds a new industry based on consultation with tourism and education industry players and stakeholders and other concerned government agencies:

- 1) Medical and Healthcare Tourism;
  - a. Treatment of Illnesses (Hospitals);
  - b. Enhancement (Cosmetic Surgeries);
  - c. Reproduction (Fertility-related treatments, such as, in-vitro and in-vivo fertilization and other similar procedures); and
  - d. Wellness (Spa/Alternate Therapies);
- 2) Tourist Bus Transportation Service; and
- 3) Education Services;
  - a. Primary/Elementary;
  - b. Secondary/High School and
  - c. Higher Education (Bachelor, Master and Doctorate courses).

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**Section 3. Economic Importance of the Tourism and Education Industries.** The NCR may be the smallest region in terms of land area, but generates the biggest economy. Its Gross Domestic Product (GDP) continues to be the biggest contributor to the national GDP, providing about 37% of the total economy. The services sector in NCR accounted for a very dominant share of 81.0% of NCR's economy while industry contributed 18.8% and agriculture 0.2%.

As the service sector is the main driver of the region's economy, the Board selected the Tourism and Education industries as the focus of its Wage Advisories. The NCR is the hub of these industries and the most frequent face to face interaction between an employee and a client takes place in these services. Thus, a productivity program focused on workers' capability to provide prompt and quality service will have the most impact on customer satisfaction and ultimately on profits.

- a. **Tourism.** Tourism is a big business worldwide. According to the UN's World Travel Organization, the number of tourists worldwide in 2014 reached 1.133 Billion spending a total of US\$ 1,245 Billion. The top tourist destinations are France, USA, Spain and China.

According to the World Travel and Tourism Council in its 2015 Report, the direct contribution of tourism to the Philippine GDP was Php 533.0 Billion (4.2% of total GDP) based on 2014 constant prices. It is expected to rise by 5.6% per annum from 2015-2025, to Php 965.0 Billion (4.4% of total GDP) in 2025. The direct contribution to employment was 1.260 Million jobs (3.3% of total employment) in 2014. It is expected to rise by 2.6% per annum to 1.667 Million jobs ((3.3% of total employment) in 2025.

This WTTC projection jives with the Department of Tourism program to increase foreign tourist arrivals to 12 Million and domestic arrivals to 89 Million and expand the growth of tourism from 8.5% of GDP to as much as 12.0% by the end of 2022.

Tourism is a vital industry of NCR. Trade and tourism represents 31.4% share of NCR's output by industry. Metro Manila welcomed about a million overnight visitors in 2012, making it the top overnight destination of the country. The region had an estimated 16,145 hotel rooms with 70.0% occupancy rate that year. About 12,000 more hotel rooms are expected to be added from 2015 to 2017.

Las Vegas style hotel-casino-entertainment resorts are also becoming a popular tourist destination in NCR, rivaling other major gaming destinations in Asia, such as, Macau and Singapore. Popular gaming destinations are Resorts World Manila at the Newport City in Pasay and the City of Dreams Manila, the Solaire Resort and Casino and the Okada Manila (which is set to open with a thousand hotel rooms in November 2016) at the Entertainment City in Bay City, Paranaque.

Cruise ships, with 2,000 or more passengers, are also making regular stops in Manila. Tourists on board cruise vessels normally visit city sites, such as, the Luneta, Intramuros, shopping malls and souvenir shops, and Filipino restaurants. More adventurous tourists go as far as Tagaytay to see the countryside.

The Tourist Bus Transportation industry may represent a small segment of the tourism chain but they serve an important need of tourists visiting NCR and nearby provinces.

- b. **Medical and Healthcare Tourism.** The Philippines was ranked as the 8<sup>th</sup> among the top medical tourism destinations in the world, according to the 2015 list of the International Healthcare Research Center and the Medical Tourism Association. Canada emerged as the top medical tourism destination, followed by the UK, Israel, Singapore, Costa Rica, Italy and Germany. At present, the Philippine medical tourism caters to approximately 80,000 to 250,000 patients or clients annually.

Many medical tourists come to the Philippines due to its world-class medical facilities and variety of available procedures, competent healthcare professionals, cheaper costs (50% to 80% lower than costs in the US and Europe), and fluency in English by the medical doctors and staff.

Clients of the Philippines for medical tourism come from East Asia (China, Japan, Korea, Taiwan), Australia, North and South America, Europe, and the Gulf States. Filipino expats and OFWs prefer to have their medical procedures done in the country. The most common treatments availed of are: aesthetic and cosmetic surgery (such as nose lift), dentistry, eye surgery and ophthalmology, dermatology, fertility treatment and hair transplantation. More value-added procedures, such as, stem cell therapy and cancer treatment are also being explored.

Most medical tourists have their treatment in NCR as it is designated by the Department of Health as the pioneer Medical Tourism region in the country. Under the Philippine Medical Tourism program, of the 21 participating hospitals, 16 (11 private and 5 public hospitals) are in NCR. Also, 5 out of six hospitals in the country accredited by the Joint Commission International are in NCR: the two St. Luke's Medical Centers in Taguig and Quezon City, Asian Hospital and Medical Center, Makati Medical Center, and the Medical City.

- c. **Education.** Since the colonial period, Manila has been the country's center of education. The University of Santo Tomas (1611), Colegio de San Juan de Letran (1620), Ateneo de Manila University (1859) are some of the educational institutions established during the colonial period. The country's national university, the University of the Philippines, along with several state colleges and universities, call the region as their home. Manila's University Belt form the largest concentration of higher education institutes in the Philippines, making Manila the center for higher learning in the country

Based on the 2012 Census of Philippine Business and Industry: Private Education, as of School Year 2011-2012, there were 13,921 private education establishments all over the country. 21.3% are in elementary education, 23.8% in high school education, and 18.4% in higher education. . About a quarter of all establishments are located in the NCR. In terms of enrollment, there were 14.378 Million students in elementary education (8% in private schools and 92% in public schools); 6.974 Million in secondary education ( 20% in private schools and 80% in public schools); and 3.044 Million in higher education (58% in private universities and colleges and 42% in public institutions).

Employment in private education establishments reached a total of 366,165 distributed as follows: 12.3% in elementary education, 26.3% in high school education and 45.9% in higher education. (The totals do not add up to 100% as pre-schools and other educational institutions are not included in the tally.) NCR had the highest number of employees at 28.9% of the total.

Total compensation paid by the private education sector amounted to P69.6 Billion, with higher education paid the highest average annual compensation of P248,900 per employee followed by secondary education at P170,700, and elementary education at P121,000. NCR employees received a higher compensation than counterparts in other regions.

Based on data from the Commission on Higher Education, as of School Year 2014-2015, there were 346 Higher Education Institutions (HEIs) in the NCR: 318 private universities and colleges and 28 state universities and colleges. Private schools Outside NCR numbered 1,380 and public institutions at 199. This puts at 22% the number of (HEIs) located at the NCR.

**Section 4. Conceptual and Operational Framework.** The productivity improvement program and its accompanying bonus/incentive scheme must take into consideration corporate policies and overall economic objectives and must be a result of consultations and agreement between management and workers. Such program/incentive scheme shall be subject to final approval by top management and must be geared toward higher efficiencies and 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.

The end result will be better economic performance of the enterprise in the form of higher profitability and better market position. As this result is made possible by human resources, it is only proper that those who contribute to the attainment of this performance are duly recognized and rewarded for their contributions. Sharing the economic gains of the enterprise based on the productivity and incentive program will ensure that the program 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, may initiate the formation of a bipartite structure to develop and implement the productivity improvement and incentive program. The said workplace mechanism, which may be a Committee 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 programs pursuant to organizational goals and objectives; and
- b) Formulation, implementation and management of an accompanying performance-based bonus/incentive scheme, including the adoption of appropriate parameters and criteria for the granting and administration of such bonuses and incentives to qualified employees. Such parameters and criteria may include performance standards and other indicators that may be quantified, monitored and evaluated. As much as practicable, the top management shall ensure that this bipartite committee is given full support to do its job, including provision of respectable space for its operations, access to financial records of the company subject 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. Specially, 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, the Productivity Toolbox, ranging from basic, intermediate and advanced topics to provide a ladderized approach to productivity improvement; 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.

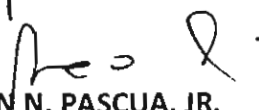
**Section 7. Advocacy, Monitoring and Assessment.** The Board, through the Secretariat, shall conduct information and awareness campaigns on this Advisory. The Secretariat shall coordinate with the DOLE-National Capital Region to ensure that this Advisory is integrated to its labor education and employment 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.

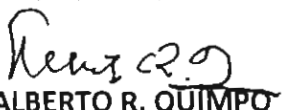
**Section 8. Effectivity.** This Advisory shall take effect fifteen (15) days after its publication in a newspaper of general circulation.

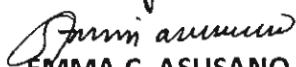
**APPROVED.** Done in the City of Manila, Philippines, 23 August 2016.

  
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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-Tier Wage System:

### A. How to Implement PIPs and PIS

- 1) The establishment may use an existing workplace committee or organization 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 to formulate, implement and manage, subject to approval of top management, the following:
  - a. Productivity improvement Program I for higher efficiencies to generate savings;
  - b. Productivity improvement Program II for quality, error-free and innovative products and services at the least possible cost; and
  - c. An accompanying Productivity bonus/incentive program 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 and punctuality;
  - d. Feedback from clients and customers; and
  - e. Individual or unit contribution in the identification and successful implementation of productivity improvement initiatives;
  - f. Sharing of best practices and collaboration among units.
- 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 % share for workers as agreed by the Committee of the establishment
  - The Incentive 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.

## 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.  $(\text{Cost of raw materials and utilities} / \text{Number of customers})$  from the previous year minus  $(\text{Cost of raw materials and utilities} / \text{Number of customers})$  for the year in review
- b. % reduction in the cost of reworks/correction of errors
- c. % reduction in the spoilage of food products and raw materials with expiry dates
- d. Improvement in maintenance (reduction of downtime) and repair of equipment, including vehicles
- e. Attendance record:
  - % reduction in tardiness
  - % reduction in absences
- f. 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  
 $(\text{Total Sales} - \text{Total Cost})$  of year in review minus  $(\text{Total Sales} - \text{Total Cost})$  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