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PRODUCTIVITY-BASED INCENTIVE SCHEMES: 2015

(Second of a Series on Industrial Relations Practices)

The 2015/2016 Integrated Survey on Labor and Employment (ISLE) is one of the regular establishment-based surveys of the Philippine Statistics Authority (PSA) which is conducted every two (2) years. The survey covered a total of 12,926 agricultural and non-agricultural establishments employing 20 or more workers nationwide. The main objective of the survey is to generate integrated data sets on employment of specific groups of workers; occupational shortages and surpluses; training of workers; productivity-based incentive schemes; occupational safety and health practices; and occupational injuries and diseases. These data are valuable inputs to studies on industry trends and practices and serve as bases for the formulation of policies on employment, conditions of work and industrial relations. To some extent, the survey results will also be used to assess the progress of decent work in the country.

This issue of LABSTAT Updates is the 2nd in a series on Industrial Relations Practices. In particular, this issue highlights the results of the module on Productivity-Based Incentive Schemes from the 2015/2016 ISLE. Specifically, this issue focuses on (1) productivity programs in establishments and (2) cash and non-cash productivity-based incentives granted to employees by establishments in 2015.

This module on Productivity-Based Incentive Schemes is a rider module to the 2015/2016 ISLE by the National Wages and Productivity Commission (NWPC) of the Department of Labor and Employment (DOLE).

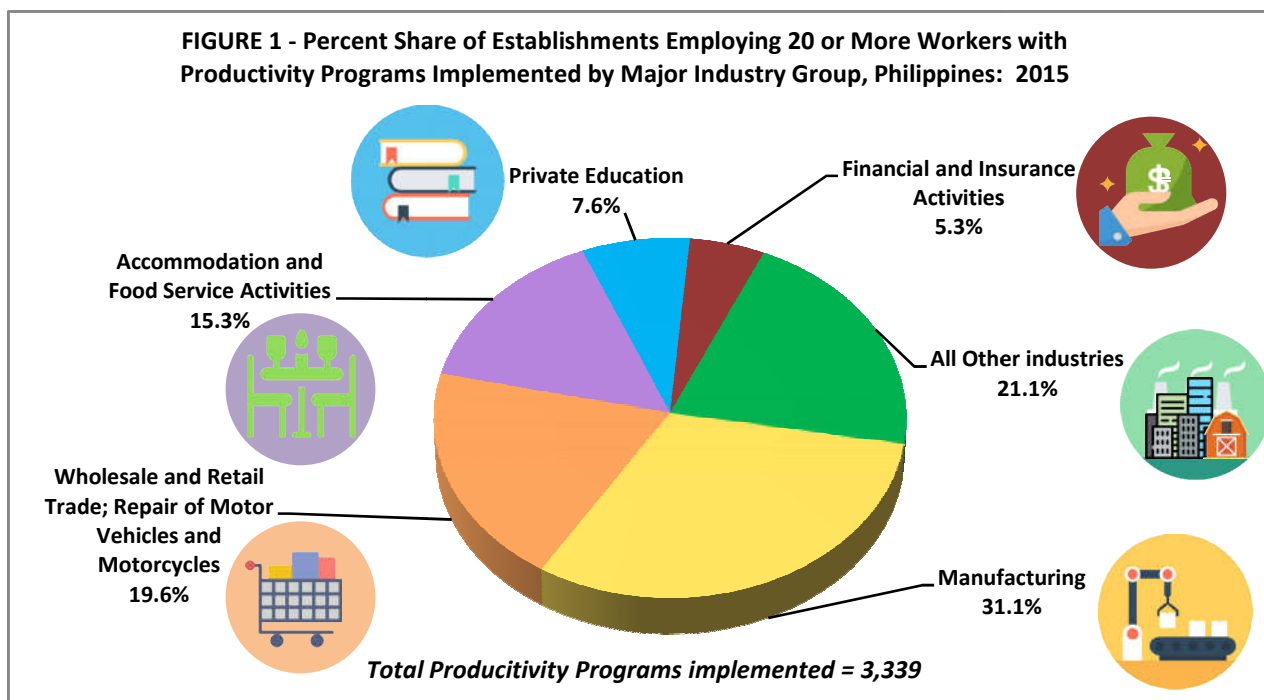
The metadata and statistical tables on the survey results of the 2015/2016 ISLE are posted at the PSA website at www.psa.gov.ph.

3,339 productivity programs implemented by establishments in 2015

- For 2015, a total of 3,339 different productivity programs were adopted by 2,448 establishments all throughout the country. Classified by major industry group, 3 out of every 10 productivity programs were carried out in the manufacturing industry (31.1%). (Figure 1)
- This was followed by wholesale and retail trade, repair of motor vehicles and motorcycles (19.6%) and accommodation and food services activities (15.3%).



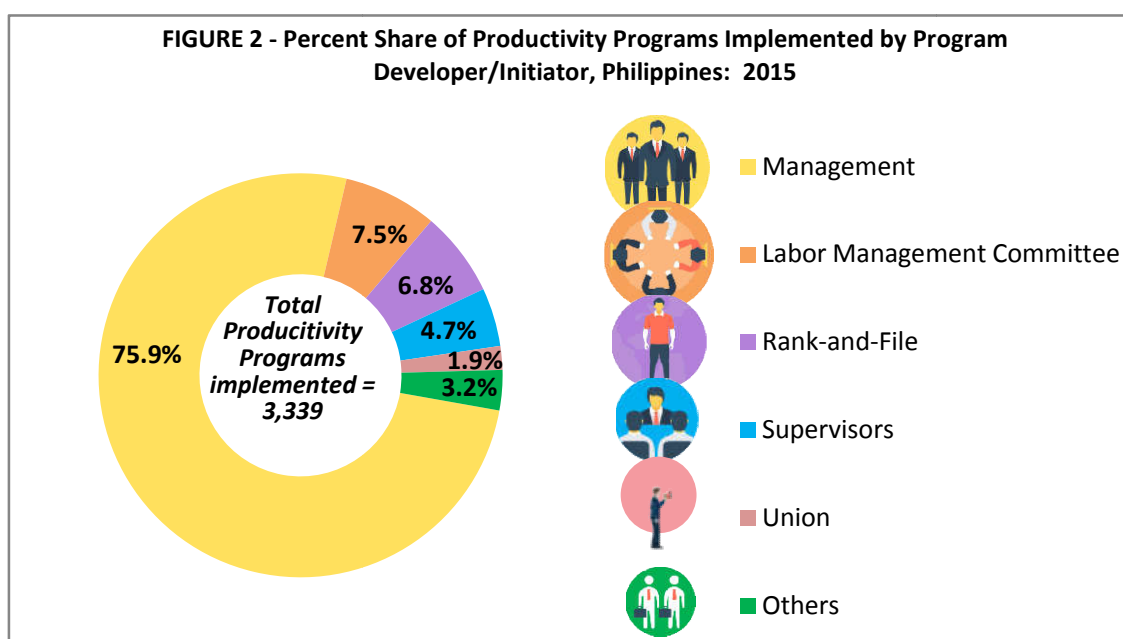
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Source: Philippine Statistics Authority, 2015/2016 Integrated Survey on Labor and Employment.

3 out of every 4 productivity programs developed/initiated by management

- Most of the productivity programs implemented by establishments in 2015 were developed/initiated by management, accounting for 75.9 percent (2,533) of the total 3,339 productivity programs. (Figure 2)
- Productivity programs in establishments were initiated also by other program developers such as *Labor Management Committees (LMCs)* which posted a share of 7.5 percent (252); followed by rank-and-file employees (6.8% or 226); supervisors (4.7% or 156); and unions (1.9% or 64).



Source: Philippine Statistics Authority, 2015/2016 Integrated Survey on Labor and Employment.

One-third of the productivity programs implemented to increase level of customer satisfaction

- In terms of the primary objective of establishments for implementing productivity programs, 1 out of every 3 establishments (33.1%) reported that such programs were put into practice to promote the level of customer’s satisfaction. (Table 1)
- This objective is followed by other relevant goals as reduction of wastage (10.9%); reduction of customer complaints (8.7%); to shorten process cycle time (8.6%); and reduction of work accidents injuries (8.4%).
- Reduction of rework was the least reported objective among establishments with 3.5 percent share of the total.

TABLE 1 – Productivity Programs Implemented by Primary Objective, Philippines: 2015

Primary Objective	Number	Percent Share (%)
TOTAL	3,339	100.0
Increase Level of Customer Satisfaction	1,106	33.1
Reduction of Wastage	363	10.9
Reduction of Customer Complaints	291	8.7
Shorten Process Cycle Time	288	8.6
Reduction of Work Accident Injuries	281	8.4
Reduction of Downtime	212	6.3
Reduction of Rework	118	3.5
Others	679	20.3

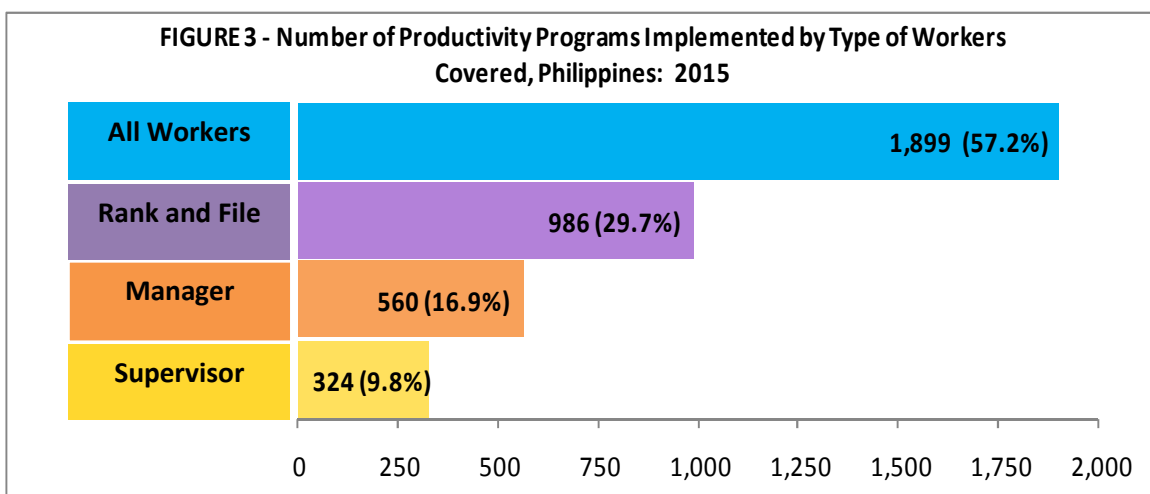
Note: Details do not add up to total due to rounding.
 Source: Philippine Statistics Authority, 2015/2016 Integrated Survey on Labor and Employment.

More than half of the total productivity programs covers all workers in the establishments

- Classified by type of coverage, 6 out of every 10 productivity programs (57.2%) covered all the workers in the establishments. (Figure 3)
- Meanwhile, 1 out of every 3 productivity programs covered rank-and-file

employees (29.7%) while 16.9 percent benefitted managers in establishments.

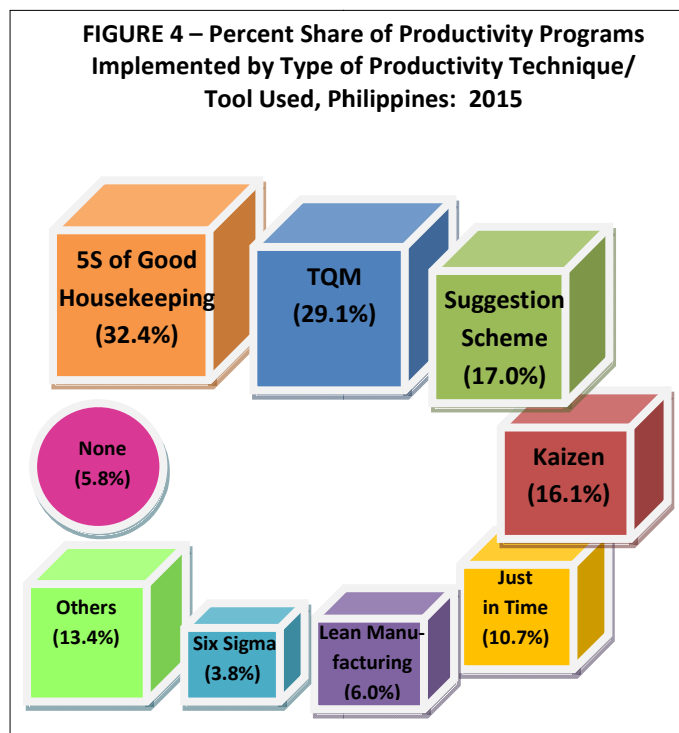
- Only 9.8 percent of total productivity programs covered supervisors in establishments.



Note: Details do not add up to 100% due to multiple coverage.
 Source: Philippine Statistics Authority, 2015/2016 Integrated Survey on Labor and Employment.

Productivity techniques/tools among establishments uses the 5S (Good Housekeeping) and Total Quality Management (TQM)

- Productivity techniques/tools are standards used by establishments in implementing their productivity improvement programs. Among the types of techniques/tool used by establishments, the two most adopted were 5S (Good Housekeeping) and Total Quality Management (TQM) at 32.4 percent and 29.1 percent, respectively of total productivity programs. (Figure 4)
- The 5S approach is geared towards having a structured method of having a clean and orderly place for efficient and effective work. On the other hand, TQM is a management philosophy that seeks to integrate all organizational objectives to deal with challenges to increase profit/production and satisfying the customers.
- Other productivity techniques/tools used by some establishments include Suggestion Scheme (17.0%); Kaizen (16.1%); and Just In Time (10.7%).

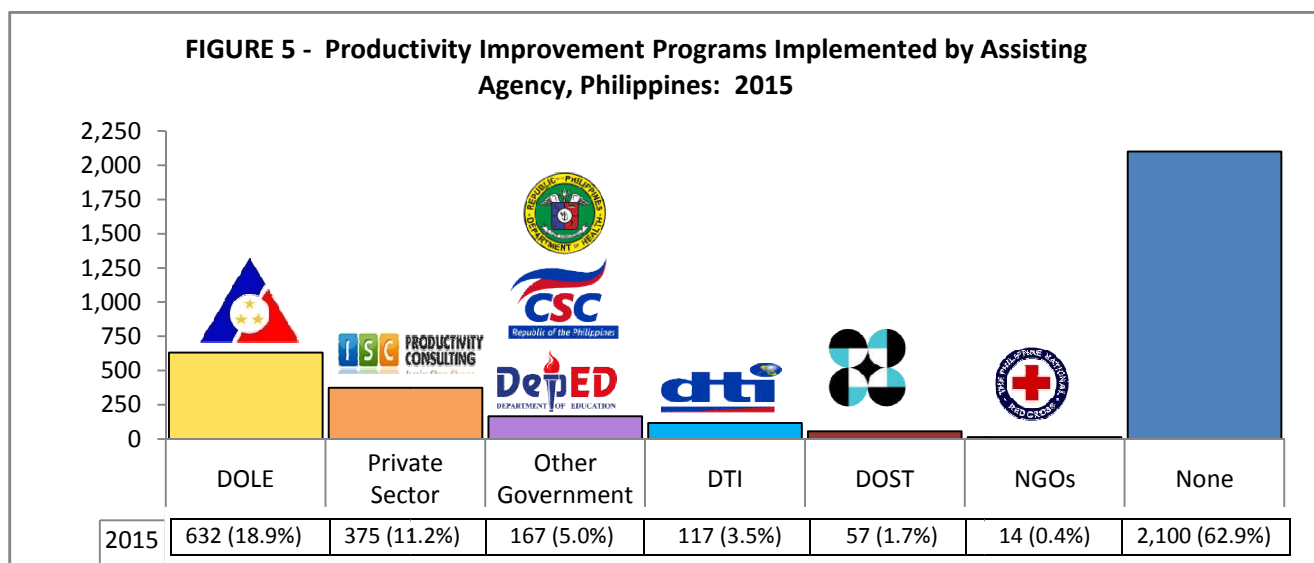


Note: Details do not add up to 100% due to multiple responses. Source: Philippine Statistics Authority, 2015/2016 Integrated Survey on Labor and Employment.

DOLE leads in providing assistance in developing productivity programs

- Topmost among agencies that had provided assistance to establishments in developing productivity programs in 2015 is the Department of Labor and Employment (DOLE), particularly the

NWPC-Regional Tripartite Wage Productivity Boards (RTWPBs), which was able to provide support to some 632 programs (18.9%) during the year. (Figure 5)



Note: Details do not add up to totals due to multiple responses. Source: Philippine Statistics Authority, 2015/2016 Integrated Survey on Labor and Employment.

- Private sector organizations that include ISC Productivity Consulting and other principal companies of the establishments likewise provided assistance accounting for 11.2 percent (375) of the total productivity programs.
- Some assistance were also provided by other government agencies (e.g. Department of Health (DOH), Department of Education (DepEd), Civil Service Commission (CSC). They account for 5.0 percent (167) of the total productivity programs. Both the Department of Trade and Industry (DTI) and Department of Science and Technology (DOST) had minimal shares of 3.5 percent (117) and 1.7 percent (57), respectively.
- Among non-government organizations (NGOs), only the Philippine National Red Cross (PNRC) had provided assistance to 14 productivity programs during the year.
- On the other hand, majority or 62.9 percent (2,100) of total productivity programs were developed independently by the establishments themselves with no assistance coming from outside agencies as enumerated above.

Skills training/upgrading tops the list of assistance on productivity programs

- Several types of assistance were provided by assisting agencies in the development of the productivity programs of establishments in 2015. Among these types of assistance, skills training/upgrading topped the list accounting for 26.2 percent (876) of the total (Table 2). Other types of assistance granted include information/advice (14.2% or 475); skills assessment and certification (12.9% or 432); technology acquisition/upgrade (3.7% or 123); and credit/financial (1.4% or 48).

TABLE 2 – Productivity Programs Implemented by Type of Assistance Provided, Philippines: 2015

Types of Assistance Provided	Number	Percent Share
Skills Training or Upgrading	876	26.2
Information/Advice	475	14.2
Skills Assessment and Certification	432	12.9
Technology Acquisition or Upgrade	123	3.7
Credit/Financial Assistance	48	1.4
Others	83	2.5
None	1,876	56.2

Note: Multiple responses.

Source: Philippine Statistics Authority, 2015/2016 Integrated Survey on Labor and Employment.

**More than half of the establishments avails
tax incentives under Productivity Incentives Act of 1990**

- The Productivity Incentives Act of 1990 otherwise known as RA 6971 provides tax incentives/reductions to establishments who implemented productivity improvement programs and provided productivity bonuses and other forms of incentives to their employees.
- For 2015, a little over half or 51.4 percent (1,258) out of the 2,448 establishments with productivity programs have availed of tax incentives under RA 6971. (Table 3)
- Across industries, almost all (94.4%) of the establishments with productivity programs in arts, entertainment and recreation availed of the tax incentives, while, establishment engage in water supply, sewerage, waste management and remediation activities posted the next highest share at 81.8 percent.
- Other industries that also reported high availment rate include real estate activities (74.2%); mining and quarrying (72.7%); and accommodation and food service activities (60.1%).

TABLE 3—Number of Establishments That Availed of Tax Incentives Under RA 6971 for Productivity Programs by Major Industry Group, Philippines: 2015

Major Industry Group	Establishments with Productivity Programs	Establishments that Availed of Tax Incentives	
		Number	Percent Share to Estab. with Productivity Programs
ALL INDUSTRIES	2,448	1,258	51.4
Agriculture, Forestry and Fishing	35	16	45.7
Mining and Quarrying	11	8	72.7
Manufacturing	698	404	57.9
Electricity, Gas, Steam and Air Conditioning Supply	42	22	52.4
Water Supply; Sewerage, Waste Management and Remediation Activities	11	9	81.8
Construction	45	9	20.0
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	506	226	44.7
Transportation and Storage	43	21	48.8
Accommodation and Food Service Activities	398	239	60.1
Information and Communication	37	16	43.2
Financial and Insurance Activities	137	40	29.2
Real Estate Activities	31	23	74.2
Professional, Scientific and Technical Activities	39	13	33.3
Administrative and Support Service Activities	95	52	54.7
Education Except Public Education	206	101	49.0
Human Health and Social Work Activities Except Public Health Activities	78	32	41.0
Arts, Entertainment and Recreation	18	17	94.4
Repair of Computers and Personal and Household Goods; Other Personal Service Activities	18	10	55.6

Source: Philippine Statistics Authority, 2015/2016 Integrated Survey on Labor and Employment.

Rank-and-file employees receives the most cash and non-cash incentives in 2015

- Classified by position, a total of 198,659 rank-and-file employees received cash and non-cash productivity-based incentives in 2015. About 4 out of every 5 (81.3% or 161,555 workers) were regular rank-and-file employees while the remaining 18.7 percent (37,104 workers) were non-regular employees. (Table 4A)
- Specifically, of the 161,555 regular rank-and-file employees, 70.6 percent (113,998) received cash while 29.4 percent (47,557) received non-cash benefits. More than half or 51.6 percent (84,341) of employees who received cash were granted cash incentives below ₱5,000 while 32.8 percent (53,684) received ₱5,000 to ₱19,999. The remaining employees (15.6% or 24,916) were granted ₱20,000 and above cash incentives. (Tables 4A and 4B)
- Meanwhile, an aggregate of 21,570 supervisors received incentives during the year, 72.9 percent (15,734) of which received cash while another 27.1 percent received non-cash benefits. Most of them received cash incentives below ₱5,000 (38.8%) or ₱20,000 and over (26.6%).
- The same pattern holds true for the 10,304 managers who received productivity-based incentive during the year. The bulk of managers were granted cash incentive (70.4% or 7,259) while 29.6 percent (3,045) received non-cash benefits. Almost half (45.3%) of managers who received cash incentives were granted cash amounting from ₱20,000 and over.

TABLE 4A - Number and Percent Share of Employees Who Received Cash and Non-Cash Productivity-Based Incentives by Type of Employee and Incentives, Philippines: 2015

Type of Employee	Total Employees		Cash		Non-Cash	
	Number	Percent	Number	Percent	Number	Percent
Rank-and-File	198,659	100.0	140,868	70.9	57,791	29.1
- Regular	161,555	100.0	113,998	70.6	47,557	29.4
- Non-Regular	37,104	100.0	26,870	72.4	10,234	27.6
Supervisors	21,570	100.0	15,734	72.9	5,836	27.1
Managers	10,304	100.0	7,259	70.4	3,045	29.6

Source: Philippine Statistics Authority, 2015/2016 Integrated Survey on Labor and Employment.

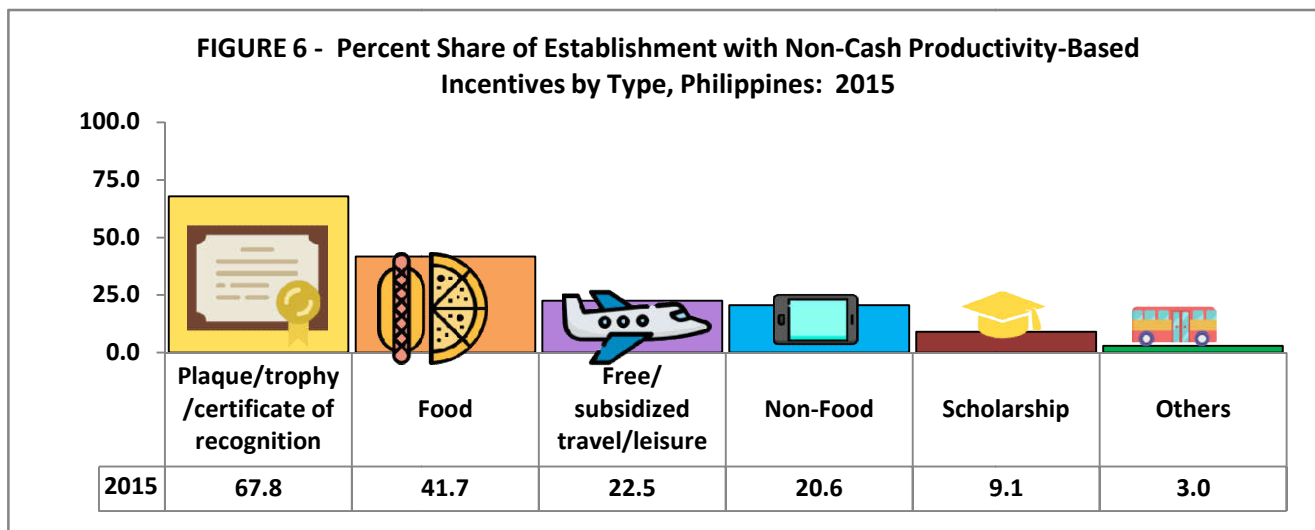
TABLE 4B - Number and Percent Share of Employees Who Received Cash Productivity-Based Incentives by Type of Employee, Philippines: 2015

Type of Employee	Total Employees who received Cash Incentives		Below ₱5,000		₱5,000–₱9,999		₱10,000–₱14,999		₱15,000–₱19,999		₱20,000 and over	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Rank-and-File	140,868	100.0	75,572	53.6	26,884	19.1	10,417	7.4	6,253	4.4	21,742	15.4
- Regular	113,998	100.0	58,830	51.6	22,036	19.3	9,682	8.5	5,657	5.0	17,794	15.6
- Non-Regular	26,870	100.0	16,742	62.3	4,848	18.0	735	2.7	596	2.2	3,948	14.7
Supervisors	15,734	100.1	6,097	38.8	2,723	17.3	1,520	9.7	1,222	7.8	4,183	26.6
Managers	7,259	100.0	1,424	19.6	1,111	15.3	1,063	14.6	369	5.1	3,291	45.3

Source: Philippine Statistics Authority, 2015/2016 Integrated Survey on Labor and Employment.

Plaques/trophies/certificates of recognition are most common forms of non-cash productivity-based incentives

- Of the total establishments that provided non-cash productivity-based incentives (1,115) in various forms to their employees, more than two-thirds (67.8% or 756) distributed plaques/trophies/certificates of recognition to their personnel. (Figure 6)
- Meanwhile, other establishments provided food (41.7% or 465); free/subsidized travel/leisure (22.5% or 251); and non-food (20.6% or 230). Some companies even provided scholarships either for their own employees or their family members (9.1% or 102).



Note: Details do not add up to 100% due to multiple responses.

Source: Philippine Statistics Authority, 2015/2016 Integrated Survey on Labor and Employment.

Definition of Terms:

Productivity Program – workplace programs aimed at improving worker and/or enterprise productivity. The common objectives of most productivity programs include reduction of wastage; improvement of work area; improvement of system or having systemized work procedures, among others.

5S of Good Housekeeping – structured approach to achieve a clean and orderly workplace.

Lean Manufacturing – systematic and continuous improvement approach that concentrates on creating more value for customers by eliminating activities that are considered wastes, i.e., any activity or process that consumes resources and adds cost or time without creating value.

Six Sigma - disciplined, data-driven approach and methodology for eliminating defects (driving toward six standard deviations between the mean and the nearest specification limit) in any process.

Kaizen – philosophy of small and incremental continuous improvements in work processes.

Total Quality Management – management philosophy that seeks to integrate all organizational objectives.

Suggestion Scheme – formal mechanism which encourages employees to contribute constructive ideas for improving their organization.

Just in Time – system that ensures that only the required products or parts are made and supplied at the required time and in the required amount thereby reducing production lead in times with high flexibility and avoiding overproduction and unnecessary inventory of products or work in progress

FOR INQUIRIES

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