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Productivity Improvement and Gainsharing Practices in Establishments: 2013

(Second in a three-part series on Industrial Relations Practices)

This LABSTAT Updates looks into the results of the productivity and gainsharing practices in establishments, a module in the Industrial Relations Practices of the 2013/2014 Integrated Survey on Labor and Employment (ISLE). The survey covered agricultural and non-agricultural establishments employing 20 or more workers.

Specifically, this issue presents the various productivity improvement programs (PIPs) implemented, its objectives, program developers and support needed to enhance program implementation.

A Productivity Improvement Program (PIP) refers to an intervention or scientific process designed to involve everyone in the organization in improving productivity through efficient use of resources, competitive pricing, on time production and delivery of quality goods and services that satisfy the requirements of the customer. These programs include 5S (Good Housekeeping); Client Satisfaction Management (CSM); Total Quality Management (TQM); Lean Manufacturing/Lean Production; Suggestions/Feedback Scheme; Six Sigma; Just in Time; and Continuous Process Improvement. Productivity Gainsharing Scheme on the other hand, which forms part of PIPs, refers to the sharing of gains between the employees and the company brought about by increase in profit and productivity. These gainsharing schemes include Scanlon Plan; Rucker Plan; Improshare Plan; Tonnage Plan; Kaiser Plan; and Performance Bonus.

The metadata and the statistical tables of the survey are posted at the PSA website.

3 out of every 5 establishments had productivity improvement programs

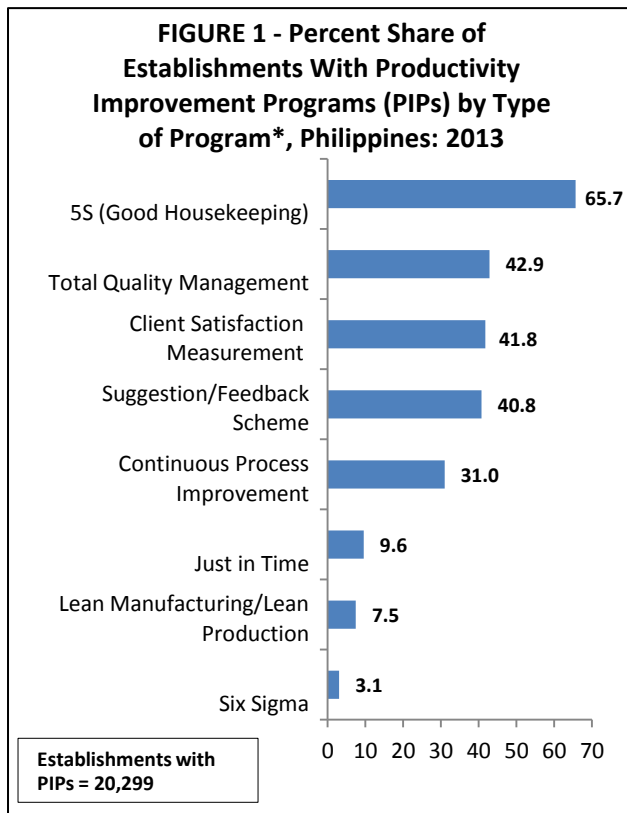
- More than half (58.7% or 20,299) of the total 34,579 establishments employing 20 or more workers in 2013 implemented various productivity improvement programs (PIPs). Sectorwise, the industry sector posted the largest share at 71.4% (6,083) followed by the services sector at 54.9% (13,622). The agricultural sector had the least at 47.3% (595). (Table 1)
- Across industries, these PIPs were implemented by majority of the establishments in electricity, gas, steam and air conditioning supply

(76.5%); manufacturing (72.6%); accommodation and food service activities (69.8%); and construction (66.7%). It was least implemented in the information and communication industry at 40.2%.

5S or good housekeeping program implemented in 2 out of every 3 establishments with PIPs

- Of the various productivity improvement programs, 5S or good housekeeping was the most popular at 65.7% (13,340). Other programs widely implemented include total quality management (42.9% or 8,715); client satisfaction measurement (41.8% or 8,477); suggestion/feedback scheme

(40.8% or 8,274) and *continuous process improvement* (31.0% or 6,294). Programs implemented by a few establishments were *just in time* (9.6%); *lean manufacturing* (7.5%); and *six sigma* (3.1%). (Figure 1)



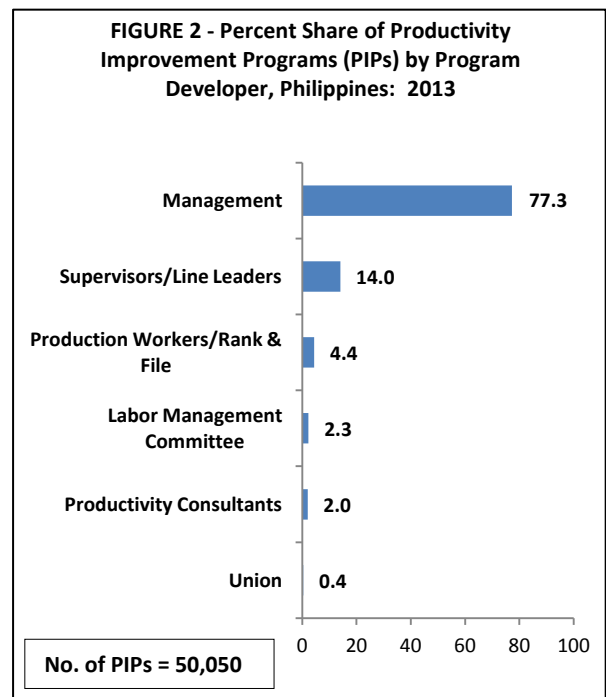
Note: Details do not add up to total due to multiple responses. Source of data: Philippine Statistics Authority, 2013/2014 ISLE.

- The 5S program or good housekeeping was adopted by a large proportion of establishments with PIPs in construction (83.9%); agriculture, forestry and fishing (82.9%); and financial and insurance activities (77.6%). (Table 1)
- Other PIPs commonly implemented by some industries were the following: *client satisfaction*

measurement in electricity, gas, steam and airconditioning supply (65.6%); *total quality management* in construction (70.4%); and *suggestion/feedback scheme* (63.1%) in water supply, sewerage, waste management and remediation activities.

7 out of every 9 PIPs were developed by management

- Majority or 77.3% (38,712) of the 50,050 programs implemented were developed by management. Other groups who came up with the programs were supervisors/line leaders (14.0%); production workers/rank and file (4.4%); labor management committee (2.3%); and productivity consultants (2.0%). Unions developed the least share at 0.4%. (Figure 2)

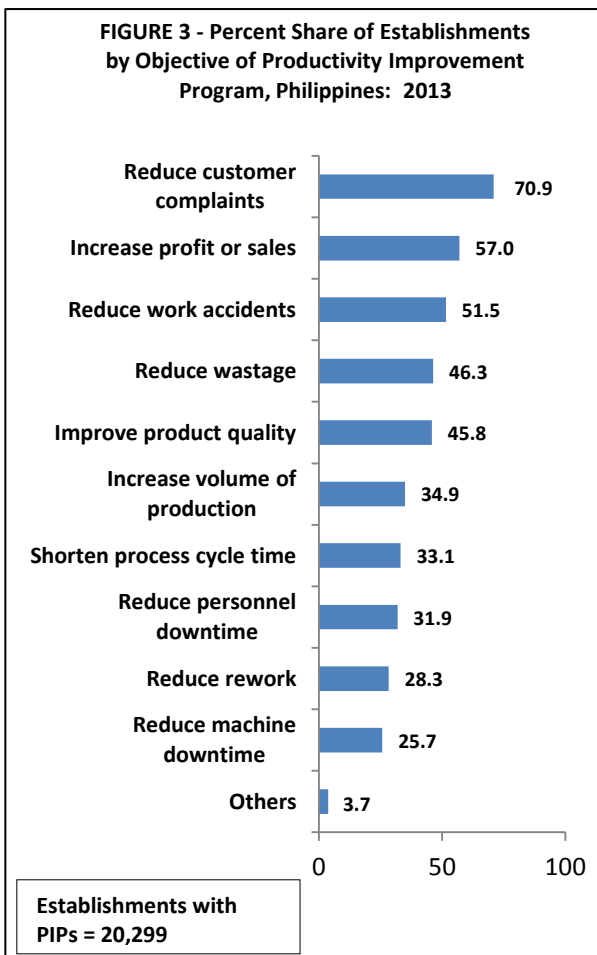


Note: Details do not add up to total due to multiple responses. Source of data: Philippine Statistics Authority, 2013/2014 ISLE.

* **Total Quality Management** – refers to a management strategy for an organization, centered on awareness of quality in all organizational processes.
Just in Time – refers to a production technology which promotes economic efficiency, with a central principle of “produce appropriately what is necessary, just as much as needed, when needed”.
Lean Manufacturing/Lean Production – refers to a productivity program on doing more with less, i.e., less time, inventory, space, labor and money.
Six Sigma – refers to a program aimed at the near elimination of defects from every product, process and transaction.

Reduction of customer complaints identified as the top PIP objective

- About 7 out of every 10 establishments with PIPs (70.9%) identified reduction of customer complaints as their primary objective for implementing the program. Other reasons cited by establishments were increase profit or sales (57.0%); reduction of work accidents/injuries (51.5%); reduction of wastage (46.3%); improve product quality (45.8%); and increase volume of production (34.9%). (Figure 3)

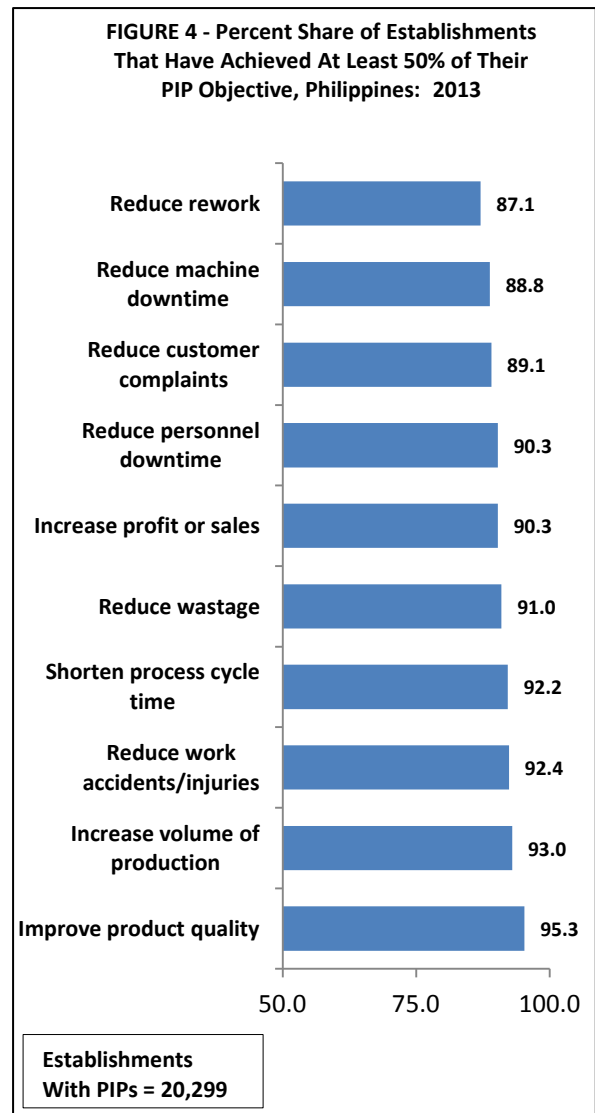


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- Less than 30.0% of the establishments had identified reduction of rework (28.3%) and reduction of machine downtime (25.7%) as their PIP objective.

Implementation of PIPs resulted in improved product quality

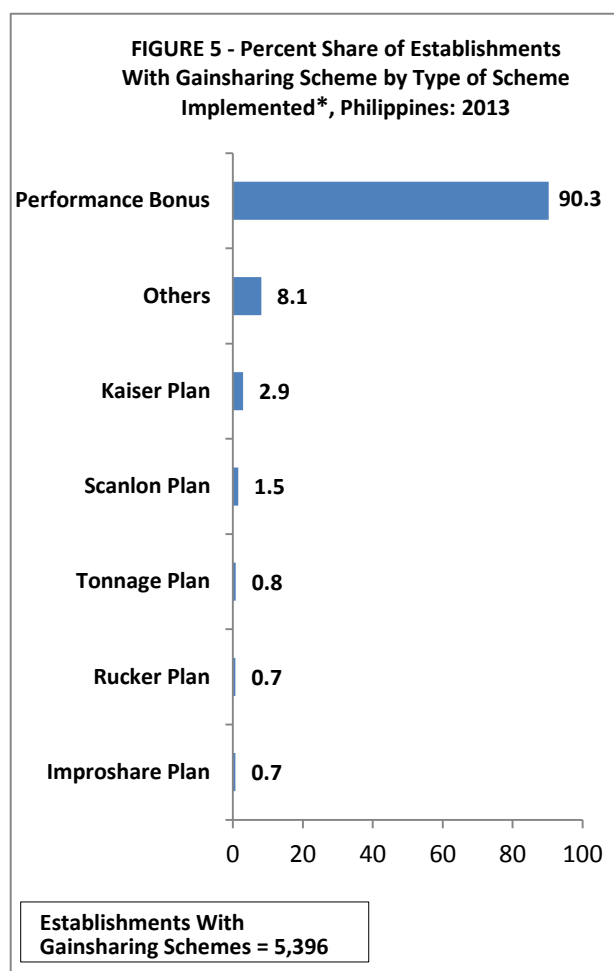
- Based on the report, the implementation of PIPs had resulted in the improvement of product quality by at least 50% in 20 out of every 21 establishments. (Figure 4)
- Other positive results reported were at least 50% increase in the volume of production (93.0%); reduction of work accidents/injuries (92.4%); shorten process cycle time (92.2%); and reduction of waste (91.0%).



Note: Details do not add up to total due to multiple responses. Source of data: Philippine Statistics Authority, 2013/2014 ISLE.

Performance bonus granted to employees in 9 out of every 10 establishments with gain sharing schemes

- A total of 5,396 (26.6%) out of 20,299 establishments with PIPs had gainsharing schemes. Of these, 90.3% (4,871) granted performance bonus to their employees. (Figure 5)



Note: Details do not add up to total due to multiple responses.
Source of data: Philippine Statistics Authority, 2013/2014 ISLE.

- Other gainsharing schemes also adopted by establishments were *Kaiser Plan* (2.9% or 158); *Scanlon Plan* (1.5% or 83); *Tonnage Plan* (0.8% or 41); *Rucker Plan* (0.7% or 39); and *Improshare Plan* (0.7% or 36).

Only 3.4% of establishments with PIPs had availed of tax incentives

- Only 688 (3.4%) of the total establishments with PIPs availed of tax incentives provided under RA 6971 otherwise known as *Productivity Incentive Act of 1990*.
- Across industries, mining and quarrying reported the highest share of establishments that availed of tax incentives (10.9%). Arts, entertainment and recreation followed closely at 9.4%. (Table 1)

2 out of every 11 establishments were assisted by the government in the development and implementation of their PIPs

- Of the total 34,579 establishments only 18.8% or 6,488 establishments were recipients of government assistance in the development and implementation of their PIPs. (Table 1)
- The largest share of establishments provided with government assistance was in water supply, sewerage, waste management and remediation activities (36.9%).

* **Kaiser Plan** - refers to a productivity gainsharing plan which provides employees with percentage shares of savings resulting from increased productivity over base year labor plus or minus material costs.

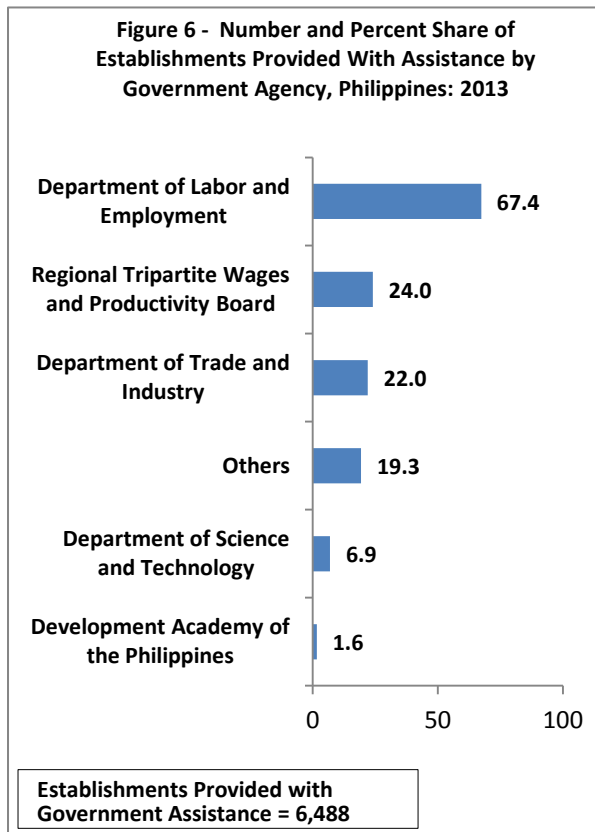
Scanlon Plan -refers to a productivity gainsharing plan based on cost saving activities where savings are calculated by comparing the sales value of production with employee costs.

Tonnage Plan -refers to a productivity gainsharing plan which is based on tons of materials produced per man-hour.

Rucker Plan - refers to a productivity gainsharing plan where savings gain is based on value added and is calculated by comparing labor costs with sales minus the cost of goods sold.

Improshare Plan- refers to a productivity gainsharing plan which focuses on the number of work hours saved for a given number of units produced. It aims to reduce direct and indirect labor time.

- The *Department of Labor and Employment (DOLE)* was the leading agency in the provision of assistance at 67.4% (4,374). This was followed by the *Regional Tripartite Wages and Productivity Board (RTWPB)* and *Department of Trade and Industry (DTI)* at 24.0% and 22.0%, respectively. (Figure 6)

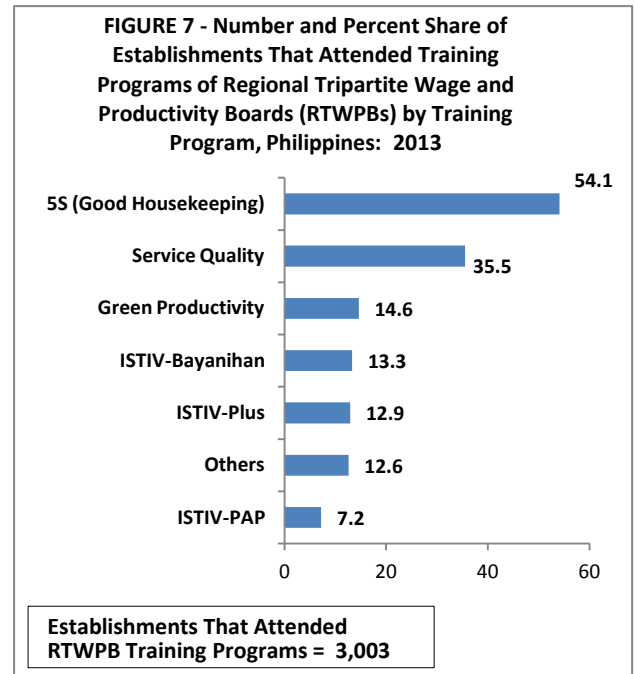


Note: Details do not add up to total due to multiple responses. Source of data: Philippine Statistics Authority, 2013/2014 ISLE.

Only 1 out of every 12 establishments had attended RTWPB training programs

- A total of 3,003 (8.7%) out of the total 34,579 establishments had attended the various training programs conducted by RTWPBs. (Table 1)
- Of these, more than half had attended the 5S or Good Housekeeping (54.1% or 1,625).

This was followed by training programs on *service quality* (35.5% or 1,066); *green productivity* (14.6% or 438); *ISTIV-Bayanihan** (13.3% or 399); *ISTIV-Plus** (12.9% or 386); and *ISTIV-PAP** (7.2% or 217). (Figure 7)



Note: Details do not add up to total due to multiple responses. Source of data: Philippine Statistics Authority, 2013/2014 ISLE.

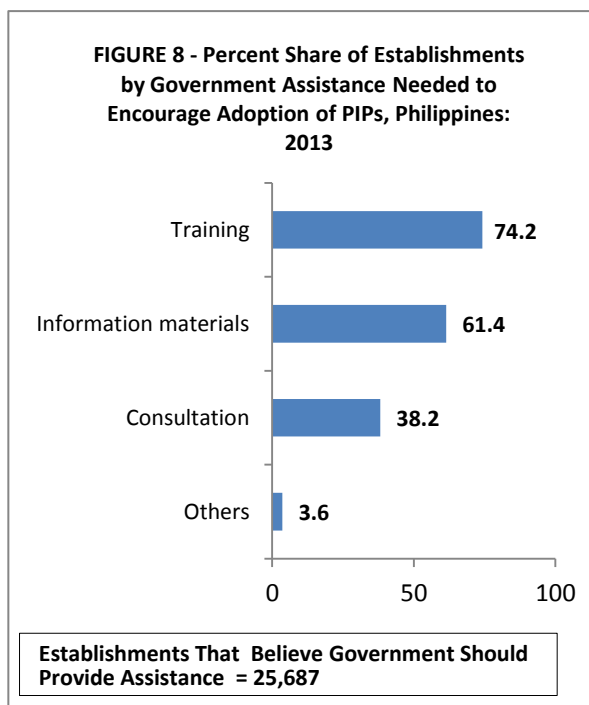
3 out of every 4 establishments believed that government assistance should be provided to encourage adoption of PIPs

- Majority of establishments (74.3% or 25,687) indicated the need for government assistance to encourage adoption of PIPs in establishments. (Table 1)
- Provision of government assistance was largely supported by establishments in the information and communication industry (85.8%); human health and social work activities (82.6%); real estate activities (81.1%); mining and quarrying (81.0%); and agriculture, forestry and fishing (80.6%).

* **ISTIV (Plus/Bayanihan/PAP)** – refers to productivity enhancement training program for micro, small and medium enterprises that aims to improve productivity and quality toward growth and compensation.

Government assistance through trainings needed by establishments to encourage adoption of PIPs

- Establishments identified the provision of trainings (74.2%) and dissemination of information materials (61.4%) as the topmost assistance that the government can provide to encourage the adoption of measures that will improve productivity. Nearly two-fifths (38.2%) suggested the conduct of consultation as another form of assistance. (Figure 8)



Note: Details do not add up to total due to multiple responses. Source of data: Philippine Statistics Authority, 2013/2014 ISLE.

FOR INQUIRIES

Regarding this report, contact **LABOR STANDARDS AND RELATIONS STATISTICS DIVISION** at telefax 376-1921
 Regarding other statistics, contact **KNOWLEDGE MANAGEMENT AND COMMUNICATIONS DIVISION** at 462-6600 local 8390 or visit our website at <http://www.labstat.psa.gov.ph>

TABLE 1 - Number and Percent Share of Establishments by Major Industry Group and Selected Indicators, Philippines: 2013

MAJOR INDUSTRY GROUP	Total Establishments	Establishments With (PIPs)		Establishments That Availed of Tax Incentives		Establishments Provided With Government Assistance		Establishments That Attended RTWPBs Training Programs		Establishments That Believe Government Should Provide Assistance to Encourage Adoption of PIPs	
		Number	% Share	Number	% Share to Total Establishments With PIPs	Number	% Share	Number	% Share	Number	% Share
ALL INDUSTRIES	34,579	20,299	58.7	688	3.4	6,488	18.8	3,003	8.7	25,687	74.3
Agriculture	1,258	595	47.3	10	1.7	327	26.0	184	14.6	1,014	80.6
Agriculture, Forestry and Fishing	1,258	595	47.3	10	1.7	327	26.0	184	14.6	1,014	80.6
Industry	8,522	6,083	71.4	195	3.2	2,046	24.0	1,086	12.7	6,436	75.5
Mining and Quarrying	189	110	58.2	12	10.9	42	22.2	12	6.3	153	81.0
Manufacturing	6,555	4,760	72.6	156	3.3	1,531	23.3	889	13.6	4,908	74.9
Electricity, Gas, Steam and Air Conditioning Supply	422	323	76.5	6	1.9	120	28.4	61	14.5	317	75.1
Water Supply; Sewerage, Waste Management and Remediation Activities	314	195	62.1	5	2.6	116	36.9	9	2.9	238	75.8
Construction	1,042	695	66.7	16	2.3	237	22.7	115	11.0	820	78.7
Services	24,798	13,622	54.9	483	3.5	4,114	16.6	1,734	7.0	18,235	73.5
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	7,555	4,149	54.9	255	6.1	1,177	15.6	514	6.8	5,199	68.8
Transportation and Storage	1,139	594	52.2	9	1.5	230	20.2	79	6.9	802	70.4
Accommodation and Food Service Activities	4,670	3,258	69.8	88	2.7	743	15.9	273	5.8	3,465	74.2
Information and Communication	896	360	40.2	20	5.6	57	6.4	47	5.2	769	85.8
Financial and Insurance Activities	1,510	687	45.5	24	3.5	221	14.6	53	3.5	1,159	76.8
Real Estate Activities	498	264	53.0	-	-	60	12.0	12	2.4	404	81.1
Professional, Scientific and Technical Activities	739	348	47.1	6	1.7	44	6.0	19	2.6	574	77.7
Administrative and Support Service Activities	2,130	1,186	55.7	17	1.4	369	17.3	145	6.8	1,667	78.3
Education Except Public Education	4,002	1,804	45.1	33	1.8	941	23.5	298	7.4	2,888	72.2
Human Health and Social Work Activities Except Public Health Activities	923	601	65.1	11	1.8	136	14.7	217	23.5	762	82.6
Arts, Entertainment and Recreation	248	128	51.6	12	9.4	74	29.8	38	15.3	167	67.3
Repair of Computers and Personal and Household Goods; Other Personal Service Activities	488	243	49.8	8	3.3	62	12.7	39	8.0	379	77.7

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

Source of data: Philippine Statistics Authority, 2013/2014 Integrated Survey on Labor and Employment.

TABLE 2 - Number and Percent Share of Establishments With Productivity Improvement Programs (PIPs) by Major Industry Group and Type of Program Implemented, Philippines: 2013

MAJOR INDUSTRY GROUP	Total Establishments With PIPs	Percent Share to Total Establishments With PIPs								
		5S (Good House-keeping)	Client Satisfaction Measurement	Total Quality Management	Lean Mfg./ Lean Production	Suggestion Feedback Scheme	Six Sigma	Just in Time	Continuous Process Improvement	Others
ALL INDUSTRIES	20,299	65.7	41.8	42.9	7.5	40.8	3.1	9.6	31.0	4.2
Agriculture	595	82.9	31.6	55.3	12.9	49.7	0.2	0.8	8.4	1.0
Agriculture, Forestry and Fishing	595	82.9	31.6	55.3	12.9	49.7	0.2	0.8	8.4	1.0
Industry	6,083	71.6	36.3	50.6	12.0	33.3	4.3	11.1	34.3	4.4
Mining and Quarrying	110	65.5	14.5	38.2	9.1	19.1	3.6	14.5	44.5	7.3
Manufacturing	4,760	70.7	32.5	49.1	14.6	32.3	4.9	11.7	36.6	4.4
Electricity, Gas, Steam and Air Conditioning Supply	323	73.7	65.6	47.7	2.5	43.7	1.9	13.3	28.2	2.5
Water Supply; Sewerage, Waste Management and Remediation Activities	195	51.3	51.3	26.2	4.6	63.1	7.7	10.8	19.5	5.1
Construction	695	83.9	47.6	70.4	1.0	29.1	0.6	5.5	24.0	4.2
Services	13,622	62.3	44.7	39.0	5.3	43.7	2.8	9.3	30.5	4.2
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	4,149	64.0	47.7	35.8	5.9	45.2	1.8	11.5	27.1	3.9
Transportation and Storage	594	64.0	36.4	37.9	2.4	29.0	1.0	7.4	39.9	8.4
Accommodation and Food Service Activities	3,258	64.8	48.9	44.4	8.3	50.1	2.2	8.9	29.5	2.0
Information and Communication	360	45.0	41.4	43.9	10.3	43.6	10.6	10.8	41.4	10.3
Financial and Insurance Activities	687	77.6	51.1	29.0	5.2	44.5	1.9	7.1	42.6	6.6
Real Estate Activities	264	59.8	20.8	21.2	0.0	42.0	0.0	6.1	38.6	0.8
Professional, Scientific and Technical Activities	348	34.5	44.0	40.2	6.9	39.7	7.8	17.0	48.6	3.2
Administrative and Support Service Activities	1,186	49.1	50.1	40.5	5.3	30.9	8.9	9.9	30.2	5.2
Education Except Public Education	1,804	61.3	28.1	39.0	0.6	41.9	1.4	7.3	30.9	5.4
Human Health and Social Work Activities Except Public Health Activities	601	72.4	49.9	48.8	1.3	50.6	1.5	3.0	21.8	3.2
Arts, Entertainment and Recreation	128	62.5	42.2	28.1	7.8	42.2	1.6	5.5	18.8	1.6
Repair of Computers and Personal and Household Goods; Other Personal Service Activities	243	70.4	55.6	36.6	1.2	31.7	1.2	4.1	21.0	8.2

Note: Details may not add up to totals due to multiple responses.

Source of data: Philippine Statistics Authority, 2013/2014 Integrated Survey on Labor and Employment.