

Republic of the Philippines
Department of Labor and Employment
National Wages and Productivity Commission
Regional Tripartite Wages and Productivity Board
Cordillera Administrative Region

ADVISORY NO.01
Series of 2013

**ADVISORY ON THE
IMPLEMENTATION OF TIER TWO, THE PRODUCTIVITY BASED PAY,
PROVIDED BY WAGE ORDER RB-CAR-15**

WHEREAS, pursuant to RA 6727, otherwise known as the Wage Rationalization Act, and the National Wages and Productivity Commission (NWPC) Guidelines, the Regional Tripartite Wages and Productivity Board - Cordillera, Administrative Region (RTWPB-CAR) has adopted the Two-Tiered Wage System in Issuing Wage Order RB-CAR-15;

WHEREAS, the Two-Tiered Wage System has two components namely Tier One and Tier Two;

WHEREAS, Tier One is the mandatory component in the form of a daily wage rate for the minimum wage earners throughout the region as mandated by the said wage order;

WHEREAS, Tier Two is purely voluntary for adoption and implementation by enterprises which shall take the form of a productivity based pay for workers in the form of gratuity and/or incentive schemes voluntarily agreed upon by the employer and workers through their Productivity and Incentive Committee (PIC). It is based on the recognition of the value or contribution of workers in the overall improvement of business performance and competitiveness including labor productivity and good behavior of workers among others;

WHEREAS, with the assistance of NEDA and DTI, RTWPB-CAR has conducted a study on the business performance of the various industries operating in the region especially on their contributions to the region's economic growth, improvement in labor productivity and increase in employment;

WHEREAS, the overall result shows positive business outlook in some industry groups in the region who may adapt Tier Two for implementation. Other industry groups, however, may likewise adapt the same not only for the benefit of their workers but also for the attainment of a more productive business operation;

NOW THEREFORE, by virtue of the authority vested by Republic Act 6727, the Regional Tripartite Wages and Productivity Board, Cordillera Administrative Region, hereby issues this **ADVISORY** for the guidance of employers who may implement Tier Two or any similar productivity incentive based pay in their respective enterprises.

Section 1. **Identified industries/services who may adopt Tier Two**

The studies conducted and using criteria like contributions to regional economic growth, share to employment and labor productivity, the following industries/services are viable to adopt and implement Tier Two but not limited to the following:

1. Wholesale, Retail, Motor Repair shops group
2. Hotels and Restaurants group
3. Manufacturing group

Establishments from the above identified industries/ services may include criteria related to work performance like innovativeness, love of work, quality of work, attendance and punctuality as basis for giving incentives.

Section 2. **Creation of a Tier Two committee**

A committee shall be organized and maybe called a Productivity and Incentive Committee (PIC) preferably with equal representation from management and workers purposely to design the incentive scheme. But if the company has an existing committee performing the same or similar function, the same may be retained or revised.

Section 3. **Existing Productivity Based Pay**

Existing practices of companies like providing gratuities or incentives to best performing employees may already take the form of Tier Two. However, they may introduce amendments to improve it and conform to the features of Tier Two.

Section 4. **Nature of Incentives or Gratuities**

These incentives given to workers take the form of gratuity and not part of wages. They are rewards given to deserving workers for their productive performance or good behavior which contributed to the attainment of the company's goals and objectives. Granting these incentives to deserving workers is therefore dependent upon the fulfillment of conditions or requirements agreed upon.

Section 5. **Incentives to those who shall adopt Tier-Two**


Pursuant to RA 6971, any business enterprise which adopt a productivity incentive program, duly and mutually agreed upon by parties of the Productivity and Incentives Committee (PIC) shall be granted a special deduction from gross income equivalent to fifty percent (50%) of the total productivity bonuses given to employees under the program over and above the total allowable ordinary and necessary business deductions for said bonuses under the National Internal Revenue Code.

Grants for manpower training and special studies given to rank-and-file employees prepared by the PIC for the development of skills identified as necessary by the appropriate government agencies shall also entitle the enterprise to a special deduction from gross income equivalent to fifty percent (50%) of the total grants over and above the allowable ordinary and necessary business deductions for said grants, also under the national Internal Revenue Code, as amended.

Section 6. **Government Assistance**

Parties who are interested to adopt and implement Tier Two are encouraged to visit the Regional Tripartite Wages and Productivity Board-CAR for some technical assistance or advices for the implementation of this Advisory.

This **ADVISORY** is issued this 10th day of January, 2013 in Baguio City, Philippines.




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