



ADVISORY ON THE IMPLEMENTATION OF PRODUCTIVITY-BASED INCENTIVE SCHEME FOR THE BUS TRANSPORT INDUSTRY IN REGION X

WHEREAS, the Regional Tripartite Wages and Productivity Commission - X (RTWPB-X) is mandated to implement the Two-Tiered Wage System (TTWS) as per NWPC Guidelines No. 02, Series of 2012, wherein the First Tier is the minimum wage component and the Second Tier is the issuance of advisories to guide industries in developing productivity incentives program, which may be used as basis for employer initiatives or enterprise-level negotiations.

WHEREAS, the Second Tier is design to shift the pay structure based on productivity, performance, quality, profit and other pay-related criteria; and allows for collective bargaining to flourish. It consists of productivity incentives programs based on agreement between workers and management;

WHEREAS, the productivity incentives program is a means by which workers are motivated to improve work performance through a reward system, thereby increasing organization's productivity, it also aims to foster teamwork, improve product or service quality, and enhance labor management relations;

WHEREAS, this advisory is voluntary in nature and is issued to encourage enterprises to adopt productivity improvement programs in recognition of their workers' contribution and share in the fruits of production.

WHEREAS, Northern Mindanao's economy registered a 7.4% growth in 2012, higher than its 5.8% growth in 2011. Among the sectors, the *Service Sector* accounted for the biggest share of the region's economy at 41.8 percentage share and provided the biggest contribution to the region's economic growth at 3.7 percentage points.¹

WHEREAS, RTWPB-X identifies the public utility **BUS TRANSPORT INDUSTRY (BTI)** of the *Transportation and Storage Section of the Service Sector*, as a key industry player, as it is one of the employment and income generator in the region as well as it contributes in the economy and productivity of the region; with the Service Sector's economic performance growth rate of 4.6% for 2010-2011 and 9.0% for 2011-2012², with economic growth targets of 7.5-8 for 2013-2016³.

WHEREAS, in line with the thrust of Department Order No. 118-12, or the Rules Governing the Employment and Working Conditions of Drivers and Conductors, the Bus Transport Industry already implemented the Fixed and Performance-Based Compensation Scheme; wherein the performance-based component shall be based on safety performance, business performance such as ridership, revenues/profitability, and other related parameters;

¹ Source: http://www.nscb.gov.ph/ru10/press_release/pr_3Q2013_3.html

² Source: www.nscb.gov.ph (GRDP by Industrial Region)

³ Source: NEDA Regional Development Plan 2011-2016

WHEREAS, RTWPB-X conducted consultations with the stakeholders involved in the Bus Transport Industry and organized a Bus Transport Industry Forum attended by bus operators and workers in the region, in coordination with the Land Transportation and Franchising Regulatory Board – 10 and other government agencies involved in the regulation of the Bus Transport Industry;

NOW, THEREFORE, by virtue of Republic Act 6727, the RTWPB-X issues this Advisory as a guideline for the Bus Transport Industry to further strengthen higher level of productivity and encourage labor-management cooperation.

Section 1. Coverage. This advisory applies to all workers employed in the public utility Bus Transport Companies in Region X such as but not limited to the drivers, conductors, inspectors and all other personnel and staff.

Section 2. Classification. The Bus Transport Industry can be classified into Micro, Small, Medium and Large Bus Transport Company, whereby, the classification can be determine according to the company's (1) Asset Size; or (2) Number of Employees⁴;

Section 3. Part-Fixed Part-Performance Based Compensation Scheme. Pursuant to DO No. 118-12, the Bus Transport Industry adopted the mutually-agreed part-fixed, part-performance based compensation scheme wherein the (a) fixed wage component shall be based on a time rate or on a per trip basis; and the (b) performance based component shall be based on business performance, safety performance and other relevant parameters.

Section 4. Productivity Incentives Program. The Bus Transport Companies are encouraged to develop and design their own Productivity Incentive Programs which are custom-made, reasonable and applicable in their respective companies. The program shall state its coverage, immediate and long-term objectives, the effect and impact of the program and shall have an implementation, monitoring and evaluation plan.

Section 5. Components of the Productivity Incentives Program. The incentive program is composed of the: (1) Productivity Improvement; and (2) Productivity Gain-Sharing. These two programs will be used as a guide and reference for the bus transport companies in adopting and implementing their own productivity incentives program.

A. Productivity Improvement Program. The improvement program shall include any intervention or systematic process designed to increase productivity of the various factor such as materials, labor, capital and energy.

As a customary practice in the Bus Transport Industry, listed below are the suggested/recommended improvement program that can be applied, such as but not limited to:

a. **Attendance Incentive** – applicable to all rank and file employees excluding managerial and supervisory employees, working for a number of days in a month without incurring absences;

Example: Drivers present at work for 25 days in a month = Php 300 incentive
Conductors present at for 25 days in a month = Php 250 incentive

⁴ See: Small and Medium enterprise Development (SMED) Council Resolution No. 01, Series of 2003

b. **Good Conductor's Pay** – applicable to conductors who does not incur any apprehensions, such as but not limited to: Collecting Fees without Ticket, Punching without Ticket, Draw Punch, Despareha, Undercharges, Charging Full to Student Privilege, Giving Free Ride, Shortages of Remittance, Lost Tickets, Overcharging, Connivance and other analogous cases.

Example: A conductor will be given Php 500 for every month with no apprehensions.

c. **Zero Traffic Violation and Road Accident Incentive** – applicable to bus drivers and conductors who does not incur any accidents and/or violations within a certain kilometres. Accidents can be classified as (a) AT fault; and (b) NO fault, subject to investigation and official report.

Example: Accumulation of 10,000 kms without violation = Php500 per month incentive
 Accumulation of 120,000 kms without violation = Php1,500 per year incentive

d. **Fuel Consumption Incentive** – applicable to bus drivers who have consumed fuel below their standard consumption.

Example:

Fuel Standard*	Actual Fuel Usage**	Gain	Loss
100 liters	110	0	10
100 liters	90	10	0
120 liters	105	15	0
Assume: Total Savings in 15 days is 25 liters. 25 liters x P20.00*** = Php 500 incentive			

*Fuel Standard is the consumption of fuel per km in a route.

**Actual Fuel Consumption is the usage after another full tonk is pumped.

***Agreed amount between Management and Driver

B. **Productivity Gain-Sharing Program.** The gain-sharing program shall include an incentive system whereby employees are given an equitable share from gains brought about by improved productivity. Illustrated below are suggested/recommended gain-sharing programs, to wit:

	SCANLON	RUCKER	IMPROSHARE	PROFIT SHARING
Productivity Base	Scanlon Base Ratio (SBR)	Rucker Standard (RS)	Base Productivity Factor (BPF)	None
Computation Basis	= Average Ratio of Labor Cost of Sales of Production = Labor Cost/Sales = Based on 2-5 years of normal operations	= Average Ratio of Labor Cost to Value Added = Labor Cost/Value Added = Based on 3-5 years of stable or consistent company performance	= Time needed to produce one unit = <u>Standard Time</u> One unit of product = Based on historical or measured standard hours	= Profit after Tax = Profit before Tax = Returns on Investments =Based on historical measured standard hours
Reserve Fund	= 10-35% of gains	= 25-30% of gains	= none	= none
Participants	= all employees,	= all employees	= hourly employees*	= all employees but

	sometimes excluding executives	except top executives		sometimes executives have separate programs
Sharing of Gains	= 75-100% for the employees =0-25% for the company	= 100% for the employees on labor productivity gains = 100% for the company on productivity gains other than labor	= 50% for the employees on hours saved = 50% for the company on hours saved	A. Cash (current approaches to sharing): a. Fixed Percentage of Pre-Tax Profit b. Fixed Percentage of Pre-Tax after a minimum profit is attained c. Discretionary Percentage of Pre-Tax profit d. Combination of Fixed Percentage and discretionary award B. Deferred Bonus a. 10-15% of the employees pay
Bonus Frequency	= monthly or quarterly	= monthly or quarterly	= weekly	= annually
Productivity Targets	Cost Reduction	Cost Reduction with emphasis on Labor	Reduction in Labor Time (Direct Indirect)	None
Focus of Management Practices	= Participative system of Management = Work Teams	= Effective Communication = Employee Involvement	Same goals for Management and Labor	Improving Profits
Employee Participation	Suggestion committees or Work Teams	Single Plant-Wide Committee or Multi-Level Committees	Informal Suggestion Method	Minimum Level

*Convertible to Daily Basis

Section 6. Social Welfare Benefits. All employees in the bus transport companies shall continue to be entitled with the labor standard benefits and social welfare benefits (e.g. SSS, Philhealth and Pag-Ibig). Further, the bus transport companies are encourage to provide non-monetary benefits such as but not limited to meal allowance/subsidy, rice allowance, hazard pay, medical assistance, hospitalization, death/bereavement and calamity assistance.

Section 7. Applicability of RA 6971. The bus transport companies adopting and implementing productivity incentives and gain-sharing programs may avail of tax incentives and benefits under RA 6971 or the Productivity Incentives Act.

Section 8. Training and Development. The RTWPB-X shall undertake orientations, learning sessions and trainings for the Bus Transport Companies about Productivity Improvement Programs such as 5S, ISTIV and Service Quality, upon request.

Section 9. Technical Assistance. The RTWPB-X shall provide technical assistance and mentoring to the Bus Transport Companies. The latter may also request from the former for **Time and Motion Studies** or the Work Improvement and Measurement Study, for the determination of fair and reasonable wage rates; and **Facility Evaluation**, for determination of the fair and reasonable facilities customarily furnish to employees.

Section 10. Recognition of Successful Productivity Practices. RTWPB-X will confer and give recognition to Bus Transport Companies who have successfully applied and implemented productivity practices, to be recognized in the local business community and so as to encourage other industries to adopt productivity improvement programs.

Section 11. Non-Diminution of Benefits. Nothing herein shall be construed to diminish or reduce any benefits and privileges being enjoyed by employees of the Bus Transport Industry at the time of the issuance hereof.

Section 12. Effect on Existing Company Policy, contracts or CBAs. The minimum benefits provided herein shall be without prejudice to any company policy, contract, or collective bargaining agreement providing better terms and conditions of employment.

Section 13. Convergence. This advisory is in coordination with the Department of Transportation and Communication (DOTC), Land Transportation Franchising and Regulatory Board (LTFRB), Land Transportation Office (LTO), and other government agencies and stakeholders involved in the promotion and regulation of the bus transport industry.

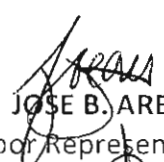
For guidance.

Cagayan de Oro City, Philippines, February 21, 2014.

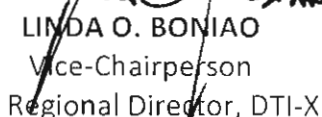

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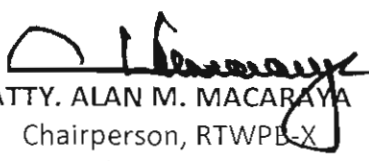
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