

Republic of the Philippines
DEPARTMENT OF EDUCATION, CULTURE AND SPORTS
UL Complex, Pasig, Metro Manila

December 29, 1994

DECS O R D E R
No. 86, s. 1994

PRESCRIBING A STANDARD INCENTIVE PAY SYSTEM
BASED ON PRODUCTIVITY AND PERFORMANCE

To: Undersecretaries
Assistant Secretaries
Bureau/Cultural Agency Directors
Directors of Services/Centers and Heads of Units
Regional Directors
Schools Superintendents
Presidents, State Colleges and Universities
Vocational School Superintendents/Administrators

1. For the guidance and compliance of all concerned, inclosed is a copy of Administrative Order No. 161, dated December 6, 1994 issued by the Office of the President, prescribing a standard incentive pay system based on productivity and performance among officials and employees of the government, which shall take effect on January 1, 1995.
2. Section 10 of said Administrative Order directs the Department of Budget and Management to issue appropriate circulars for its implementation. As the basis of the grant of this incentive pay is individual productivity and performance for CY 1994, it is suggested that required performance evaluation results in the respective offices be made ready in time for the issuance of the implementing circulars.
3. The Suggestion and Incentive Awards Committee, as constituted under DECS Order No. 61, s. 1993, shall undertake the implementation of the incentive pay system prescribed in this Administrative Order.
4. Please be guided accordingly.

(SGD.) RICARDO T. GLORIA
Secretary

Incl.: As stated
Reference: DECS Order: (No. 61, s. 1993)
Allotment: 1-2-3--(M.O. 1-87)
To be indicated in the Perpetual Index
under the following subjects:

- ✓ BUREAUS & OFFICES
- ✓ EMPLOYEES
- ✓ OFFICIALS
- ✓ RULES & REGULATIONS

MALACAÑANG
MANILA

ADMINISTRATIVE ORDER NO. 161

PRESCRIBING A STANDARD INCENTIVE PAY SYSTEM BASED ON PRODUCTIVITY AND PERFORMANCE, FOR ALL OFFICIALS AND EMPLOYEES OF THE GOVERNMENT, NATIONAL AND LOCAL INCLUDING THOSE OF GOVERNMENT-OWNED AND/OR -CONTROLLED CORPORATIONS AND GOVERNMENT FINANCIAL INSTITUTIONS AND FOR OTHER PURPOSES

WHEREAS, government recognizes that efficiency and effectiveness in the civil service can be further enhanced by an incentive pay system that is based on employee productivity and performance;

WHEREAS, some heads of government departments/offices authorized to grant of Productivity Incentive Benefits in varying amounts to their officials and employees of CYs 1991, 1992 and 1993 invoking as legal basis for such grant the provisions of Sections 31, 35 and 36(2), Chapter 5, Subtitle A, Title I, Book V of the Administrative Code of 1987, but which grant gave rise to dissension and dissatisfaction among those who received less or no benefits due to lack of funds;

WHEREAS, there is a need to rationalize the grant of said Productivity Incentive Benefit under a uniform set of guidelines to ensure fairness and equity in its award;

WHEREAS, Section 17, Article VII of the 1987 Constitution vests in the President of the Philippines prerogatives which include among others the determination of the rates, the timing and schedule of payment, and final authority to commit limited resources of government for the payment of personnel incentives, cash rewards, productivity and loyalty bonus, and other forms of additional compensation and fringe benefits to government personnel.

NOW, THEREFORE, I, FIDEL V. RAMOS, President of the Republic of the Philippines, by virtue of the powers vested in me by law do hereby direct.

SECTION 1. Policy. There shall be instituted a standard system of incentive pay based on productivity and performance among officials and employees of the Government.

SEC. 2. Coverage. The benefits herein authorized shall apply to all appointive officials and employees of the national government, local government units and government-owned and/or -controlled corporations and government financial institutions, including casual, temporary and full-time contractual personnel whose employment is in the nature of regular personnel, who obtained at least a satisfactory performance rating for the two (2) semesters immediately preceding the year in which the incentive pay shall be released and who have contributed to the productivity of their office/agency as determined by their respective heads of agency; Provided, that, officials and employees of government sequestered/foreclosed corporations that are covered by the national labor laws being implemented by the Department of Labor and Employment shall not be entitled to the benefits prescribed in this Order.

SEC. 3. Basis and Amount of Award. The incentive pay shall be based on individual personnel productivity and performance as evaluated and determined by the heads of the respective offices/agencies in accordance with the policies and standards set by the Civil Service Commission. The amount of incentive that will be paid deserving officials/employees pursuant to this Order may vary for each official/employee within an agency depending on individual performance appraisal, subject to Section 4 below.

SEC. 4. Total Cost of Incentive. The total cost of the incentive pay that will be utilized for the purpose by any government agency including government-owned and/or -controlled corporations, government financial institutions and local government units in any one year shall in no case exceed an aggregate total for an agency computed at an average of P2,000.00 per occupied/filled-up position referred to in Section 2 above as of end of CY 1994.

SEC. 5. Funding Source. The Department of Budget and Management shall set aside an Incentive Fund to be incorporated in the annual General Appropriations Act to cover the requirements of this Order in the National Government.

In the case of government-owned and/or -controlled corporations, including government financial institutions, local government units and project personnel, funding shall be sourced from their respective corporate, local and project funds. For this purpose, government-owned and/or -controlled corporations and government financial institutions, and local government units are hereby authorized to appropriate annually an amount to cover these benefits.

SEC. 6. Release of Funds to National Government Office/Agency. The Department of Budget and Management shall release the funds from the Incentive Fund direct to the government office/agency involved. For this purpose, offices/agencies of the national government shall submit a list of officials and employees entitled to the benefit under this Order within the first quarter of the calendar year immediately following the two semesters during which the benefit was earned, as basis for the release of funds.

SEC. 7. Prohibition from Establishing/Authorizing a Separate Productivity and Performance Incentive Award. Heads of departments, agencies, governing boards, commissions, offices, including government-owned and/or -controlled corporations and government financial institutions, and local government units, are hereby prohibited from establishing and authorizing a separate productivity and performance incentive award or any form of the same or similar nature.

Accordingly, all administrative authorization/decrees issued to select government offices/agencies, government-owned and/or -controlled corporations and government financial institutions, and local government units, relative to grant of any Incentive Award or Bonus; administrative, memorandum and/or any order issued authorizing the grant of Incentive Award or Bonus or any form of similar nature pursuant to the provisions of Sections 31, 35 and 36(2), Chapter 5, Subtitle A, Title I, Book V of Executive Order No. 292, otherwise known as the Administrative Code of 1987; and executive orders providing for the grant of said Incentive Award or Bonus that are not consistent with this Order are hereby revoked.

SEC. 8. Strict compliance by all concerned with the provisions of this Order is enjoined. Anyone found violating any of the mandates in this Order, including all officials/employees and the COA Auditor-in-Charge of such government office/agency found to have taken part thereof, shall be accordingly and severely dealt with in accordance with the applicable provisions of existing penal laws.

SEC. 9. Cases not covered under this Order shall be referred to the Department of Budget and Management for proper study and recommendation to the Office of the President.


SEC. 10. The Department of Budget and Management is directed to issue the appropriate circulars for the implementation of this Order.

SEC. 11. This Order shall take effect on January 1, 1995 based on the performance evaluation of officials and employees for ~~CY 1994~~.

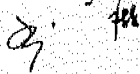
DONE in the City of Manila, this 17th day of December in the year of our Lord, Nineteen Hundred and Ninety Four.



By the President:


LEONARDO A. QUISUMBING
Acting Executive Secretary





COMPUTATION OF INCENTIVE PAY
Illustrative Example

1. Total Number of Occupied Appointive Positions

Regular	10
Casual	2
Contractual	3

Total	15
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2. Total Number of Occupied Appointive Positions	15
x Average Subsidy per Employee	P 2000

Total Cost of Incentive Pay	P 30,000
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3. Method of Distribution

- Scheme to be determined by the head of the agency based on individual performance and productivity
- Some employees may get more benefits than others under this method of distribution depending on performance appraisal