



Republic of the Philippines  
**DEPARTMENT OF LABOR AND EMPLOYMENT**  
National Wages and Productivity Commission  
**Regional Tripartite Wages and Productivity Board No. IV-A**  
City of Calamba, Laguna

**WAGE ORDER NO. IVA-14**  
**SETTING THE MINIMUM WAGE FOR REGION – IVA (CALABARZON)**

**WHEREAS**, under R. A. 6727 otherwise known as “The Wage Rationalization Act”, the Regional Tripartite Wages and Productivity Board – IVA (RTWPB - IVA) is mandated to fix the applicable minimum wage of workers in private establishments in the Region based on existing standard criteria in minimum wage fixing such as: needs of workers and their families, capacity to pay by the employers, comparability of wages, and requirements of economic development, and other relevant socio-economic indicators;

**WHEREAS**, the Regional Board received a petition for wage increase on April 16, 2010, filed by the Trade Union Congress of the Philippines (TUCP) asking for P75.00 per day increase in the prevailing minimum wage rates, to be applied across-the-board, nationwide, while imploring for the setting of minimum wage rate for domestic workers in the Region;

**WHEREAS**, the unprecedented effects of the recent financial meltdown and natural calamities that hit industries, exporters and small entrepreneurs as well, the Regional Board prudently acted on the wage petition by engaging major players, sectors and stakeholders in a series of extensive consultations/dialogues on the wage issue;

**WHEREAS**, in acknowledgment of the diversity of sectors, industries and configuration of areas in the Region, wage consultations were conducted from March 23, 2010 to September 16, 2010, and public hearings by Province ensued on dates as follows: October 8, 2010 in Quezon, October 22, 2010 in Batangas, November 5, 2010 in Cavite, November 12, 2010 in Rizal, and November 23, 2010 in Laguna;

**WHEREAS**, the Regional Board issues this Wage Order No. IVA-14, granting increases in the form of basic pay to all covered workers of private establishments in the Region, effective fifteen (15) days upon publication in a newspaper of general circulation;

**WHEREAS**, consistent with the government’s policy of achieving higher levels of productivity and competitiveness, promote investments that will generate more employment, and improve the standards of living of the workers, all business enterprises in the Region are encouraged to implement productivity improvement and gain sharing programs in their respective workplaces; and

**WHEREAS**, this Wage Order applies to Region IVA -CALABARZON Area, (as defined under Executive Order 103 Series of 2002) which covers the provinces of Cavite, Laguna, Batangas, Rizal and Quezon;

**NOW, THEREFORE**, by virtue of the power and authority vested under Republic Act No. 6727, known as the Wage Rationalization Act, the Regional Tripartite Wages and Productivity Board of Region IV-A hereby issues this Wage Order:

**SECTION 1. AMOUNT OF INCREASE.** Upon the effectivity of this Wage Order, all minimum wage workers and employees in the private sector in Region IV-A shall receive a basic wage increase of seventeen pesos (P17.00) per day, across the area classifications.

**SECTION 2. NEW MINIMUM WAGE RATES.** The daily minimum wage rates of private workers and employees in Region IV-A upon effectivity of this Order shall be:

AREAS	Non-Agriculture	Agriculture		Retail & Service Establishment employing not more than 10 workers
		Plantation	Non-Plantation	
<b>GROWTH CORRIDOR AREA</b>	337.00	312.00	292.00	232.00
<b>CAVITE</b> Bacoor, Imus				
<b>LAGUNA</b> Binan, Laguna Techno Park, San Pedro				
<b>RIZAL</b> Cainta, Taytay				
<b>CAVITE</b> Carmona, Cavite City, Dasmariñas, Gen. Trias, Rosario	315.00	290.00	270.00	210.00
<b>LAGUNA</b> Cabuyao, Calamba City, Los Baños, San Pablo City, Santa Cruz, Santa Rosa				
<b>RIZAL</b> Antipolo City				
<b>CAVITE</b> Gen. Alvarez, Kawit, Silang, Tagaytay City, Tanza, Trece Martirez	310.00	285.00	265.00	207.00
<b>BATANGAS</b> Batangas City, Bauan, Lipa City, LIMA Technology Center, San Pascual, Santo Tomas, Tanauan City				
<b>RIZAL</b> Rodriguez, Tanay				
<b>QUEZON</b> Lucena City				
<b>EMERGING GROWTH AREA</b>	291.00	266.00	246.00	190.00
<b>BATANGAS</b> Balayan, Calaca, Calatagan, Lemery, Mabini, Nasugbu, Rosario, San Jose				
<b>RIZAL</b> Angono, Binangonan, San Mateo				
<b>QUEZON</b> Candelaria, Sariaya				
<b>CAVITE</b> Indang, Naic, Noveleta, Ternate	280.00	255.00	235.00	177.00
<b>LAGUNA</b> Paete, Pakil				
<b>BATANGAS</b> San Juan				
<b>RIZAL</b> Pililia				
<b>QUEZON</b> Tiaong				

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AREAS	Non-Agriculture	Agriculture		Retail & Service Establishment employing not more than 10 workers
		Plantation	Non-Plantation	
BATANGAS Taysan	275.00	250.00	230.00	176.00
RIZAL Teresa				
<b>RESOURCE BASED AREA</b>				
<b>CAVITE</b> Alfonso, Amadeo, Gen. Aguinaldo, Magallanes, Maragondon, Mendez-Nunez	271.00	246.00	226.00	172.00
<b>LAGUNA</b> Alaminos, Bay, Calauan, Cavinti, Famy, Kalayaan, Liliw, Luisiana, Lumban, Mabitac, Magdalena, Majayjay, Nagcarlan, Pagsanjan, Pangil, Pila, Rizal, Santa Maria, Siniloan, Victoria				
<b>BATANGAS</b> Agoncillo, Alitagtag, Balete, Cuenca, Ibaan, Laurel, Lian, Lobo, Malvar, Mataas na Kahoy, Padre Garcia, San Luis, San Nicolas, Santa Teresita, Taal, Talisay, Tingloy, Tuy				
<b>RIZAL</b> Baras, Cardona, Jala-Jala, Morong				
<b>QUEZON</b> Agdangan, Alabat, Atimonan, Buenavista, Burdeos, Calauag, Catanauan, Dolores, Gen. Luna, Gen. Nakar, Guinayangan, Gumaca, Infanta, Jomalig, Lopez, Lucban, Macalelon, Mauban, Mulanay, Padre Burgos, Pagbilao, Panukulan, Patnanungan, Perez, Pitogo, Plaridel, Polilio, Quezon, Real, Sampaloc, San Andres, San Antonio, San Francisco, San Narciso, Tagkawayan, Tayabas, Unisan	253.00	233.00	213.00	165.00

All workers covered by this Wage Order receiving less than the prescribed minimum wage(s) shall be adjusted at least to the new daily minimum wage rates prescribed herein.

**SECTION 3. RATIONALIZATION OF THE WAGE STRUCTURE.** In order to rationalize the wage structure, plantation and non-plantation shall be simplified into the Agriculture Industry. Such simplification shall be implemented for the sugar industry starting this Wage Order, without prejudice to adopting the same reclassification to other agricultural activities in subsequent wage adjustments. Likewise, Cottage and Handicraft Industry shall be classified as Non-Agriculture Industry or Barangay Micro Business Enterprises, as the case maybe.

**SECTION 4. COVERAGE.** The minimum wage rates prescribed under this Order shall apply to all covered workers and employees in all private establishments in Region IV-A regardless of their position, designation or status of employment and irrespective of the method by which their wages are paid. Not covered by this Wage Order are household or domestic helpers, persons employed in the personal service of another, including family drivers and workers of Barangay Micro Business Enterprises (BMBEs) with Certificates of Authority, pursuant to R.A. 9178.

**SECTION 5. BASIS OF MINIMUM WAGE.** The minimum wage prescribed under this Order shall be for the normal working hours which shall not exceed eight (8) hours work a day.

**SECTION 6. APPLICATION TO WORKERS PAID BY RESULTS.** All workers paid by result, including those who are paid on piece work, takay, pakyaw or task basis, shall be entitled to receive the prescribed minimum wage rates for the normal working hours which shall not exceed eight (8) hours work a day, or a proportion thereof for working less than the normal working hours.

**SECTION 7. PRODUCTIVITY BASED INCENTIVE SCHEMES.** In order to increase the net take home pay of the workers, and enhance the competitiveness of business, all private enterprises in the region shall endeavor to implement productivity and gainsharing programs at the enterprise level. Guidelines in the operationalization of productivity improvement and gainsharing programs shall be included in the Rules Implementing this Wage Order.

**SECTION 8. APPLICATION TO SPECIAL GROUPS OF WORKERS.** Wages of apprentices and learners shall in no case be less than seventy-five percent (75%) of the applicable minimum wage rates prescribed in this Order.

All recognized learnership and apprenticeship agreements entered into before the effectivity of this Order shall be considered automatically modified insofar as their wage clauses are concerned to reflect the new prescribed minimum wage.

All qualified handicapped workers shall receive the full amount of the minimum wage rate prescribed herein pursuant to R.A. 7277, otherwise known as the Magna Carta for Disabled Persons.

**SECTION 9. APPLICATION TO PRIVATE EDUCATIONAL INSTITUTIONS.** In the case of private educational institutions, the share of covered workers and employees in the increase in tuition fees for School Year (SY) 2010-2011 shall be considered as compliance with the wage increase prescribed herein. However, payment of any shortfall in the wage increase set forth herein shall be covered starting SY 2011-2012. Those which have not increased their tuition fees for SY 2010-2011 may defer compliance with the provision of the Wage Order until the beginning of SY 2011-2012. In any case, all private educational institutions shall implement the minimum wage rate prescribed herein starting SY 2011-2012.

**SECTION 10. APPLICATION TO CONTRACTORS.** In the case of contracts for construction projects and for security, janitorial and similar services, the prescribed increase in the wage rate of covered workers shall be borne by the principals or clients of the construction/service contractor and the contracts shall be deemed amended accordingly. In the event, however, that the principals or clients fail to pay the prescribed wage rates, the contractors shall be jointly and severally liable with the principals or clients.

**SECTION 11. APPLICATION TO TRANSFER, BRANCH AND MOBILE EMPLOYEES.** In cases where the establishment may have branches in different parts of the region or where its headquarters is outside the region, the applicable rate is the rate of the particular city/municipality where the employee is based. In cases of mobile employees, the home base rate shall apply. In cases of transfer from a high rate city/municipality to a lower rate city/municipality, the higher rate shall continue to be applied.

**SECTION 12. DEFERMENT PROVISION TO EXPORTERS**

**a. APPLICATION TO EXPORT ESTABLISHMENTS.** Upon application with and as determined by the Board, export establishments which earn at least fifty percent (50%) of their normal operating revenues from export sales and whose product pricing is computed using labor costs based on previous mandated minimum wage rates, the effectivity of minimum wage rates under this Order shall be deferred but shall not to exceed one year.

The allowable length of period of deferment grant shall be based on the weighted value or volume of which specific contract with the time and/or expected time of receipt of payment of each specific contract in proportion to the total contract value or volume for a one- year period plus thirty days payment lag.

**b. APPLICATION TO EXPORT ESTABLISHMENTS AFFECTED BY GLOBAL FINANCIAL CRISIS.** Considering that the export sector in the Region was badly hit by the economic crisis since 2008, legitimate exporters may be allowed deferment from compliance with the prescribed increase herein for six (6) months from the effectivity of this Order upon application with and as determined by the Board based on compliance with the criteria and requirements set forth herein.

It is understood that avilment of one relief shall mean exclusion of the other.

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Deferment of the increases provided herein shall apply only for increases made effective fifteen (15) days upon publication in a newspaper of general circulation.

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**SECTION 13. EXEMPTION.** Upon application with and as determined by the Board based on the criteria and supporting documents, exemption from the applicability of this Order maybe allowed on the following categories of establishments as defined in the NWPC Guidelines No. 02 Series of 2007 "Amended Rules on Exemption from Compliance with the Prescribed Wage Increases/Cost of Living Allowances Granted by the Regional Tripartite Wages and Productivity Boards":

- a. New Business Enterprises
- b. Distressed Establishments

**SECTION 14. APPLICATION FOR EXEMPTION.** Applications for all categories shall be filed not later than seventy five (75) days from publication of the approved Implementing Rules of this Order, provided that all required documents in support of the application must be filed within the said 75-day filing period and that no further extension of filing and submission of required documents shall be allowed.

In the case of New Business Enterprises, applications shall be filed not later than sixty (60) days after the date of registration.

The extent and duration of exemption shall be in accordance with Section 5 of the NWPC Guidelines No. 02 Series of 2007.

The application shall be under oath and accompanied by complete supporting documents as enumerated under Section 4 of the NWPC Guidelines No. 02 Series of 2007.

Whenever an application for exemption has been filed with the Regional Board, action by the Regional Office of the Department of Labor and Employment on any complaint for alleged non-compliance with this Order shall be deferred pending resolution of the application for exemption by the Regional Board.

In the event that an application for exemption is not approved, covered workers and employees shall be paid the mandated wage increase as provided for under the Order retroactive to the date of the effectivity of the Order plus simple interest of one percent (1%) per month.

**SECTION 15. CREDITABLE WAGE INCREASE.** No wage increase shall be credited as compliance with the increases prescribed under the Order unless expressly provided under collective bargaining agreements.

In unorganized establishments, any increase granted by the employer within three (3) months prior to the effectivity of this Order shall be credited as compliance therewith.

In both cases where the increases given are less than the prescribed Minimum Wage, the employer shall pay the difference. Such increases shall not include anniversary increases, merit wage increases and those resulting from the regularization or promotion of employees.

**SECTION 16. MOTION FOR RECONSIDERATION.** Any aggrieved party may file with the Board a motion for reconsideration of the decision on the application for exemption within ten (10) days from its receipt and shall state the particular grounds upon which the motion is based, copy furnished the other party and the DOLE Regional Office concerned.

**SECTION 17. APPEAL TO THE COMMISSION.** Any party aggrieved by the decision of the Board may file an appeal to the Commission, through the Board, in two (2) legible copies, not later than ten (10) days from the date of receipt of the decision.

**SECTION 18. EFFECT OF FILING AN APPEAL.** The filing of the appeal does not operate to stay the Order unless the party appealing such Order shall file with the Commission an undertaking with a surety or sureties satisfactory to the Commission for payment to employees affected by the Order of the corresponding increase, in the event such Order is affirmed.

**SECTION 19. EFFECTS ON EXISTING WAGE STRUCTURE.** Where the application of the wage increase prescribed in this Order results in distortion in the wage structure within the establishments, correction of which shall be left to the parties concerned in accordance with the procedure provided for under Article 124 of the Labor Code, as amended.

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Advisory formulae to correct distortions will be contained in the Implementing Rules of this Order.

**SECTION 20. COMPLAINTS FOR NON-COMPLIANCE.** Complaints for non-compliance with this Order shall be filed with the Department of Labor and Employment- Regional Office-IVA (DOLE-RO IVA) and shall be the subject of enforcement proceedings under Article 128 and 129 of the Labor Code, as amended without prejudice to criminal prosecution which may be undertaken against those who fail to comply.

**SECTION 21. NON-DIMINUTION OF BENEFITS.** Nothing in this Order shall be construed to reduce any existing wage rates, allowances, and benefits of any form under existing laws, decrees, issuances, executive orders and/or under any contract of agreement between the workers and employers.

**SECTION 22. PENAL PROVISIONS.** Any employer who refuses or fails to pay the corresponding wage rates provided under this Order shall be subject to the penalties under RA. 6727, as amended by R.A.8188.

**SECTION 23. PROHIBITIONS AGAINST INJUNCTION.** No preliminary or permanent injunction of temporary restraining Order may be issued by any court, tribunal or other cities against any proceeding before the Board.

**SECTION 24. FREEDOM TO BARGAIN.** This Order shall not be construed to prevent workers in particular firms or enterprises from bargaining for higher wages with their respective employers.

**SECTION 25. REPORTING REQUIREMENT.** Any person, company, corporation, partnership or any entity engaged in business shall submit a verified itemized listing of their labor component to the Board not later than January 31, 2009 and every year thereafter in accordance with the form prescribed by the Commission.

**SECTION 26. REPEALING CLAUSE.** All orders, issuances, rules and regulations, or parts thereof inconsistent with this Wage Order are hereby repealed, amended or modified accordingly.


**SECTION 27. SEPARABILITY CLAUSE.** If for any reason, any section or provision of this Order is declared unconstitutional or invalid, the other provisions or parts shall remain valid.

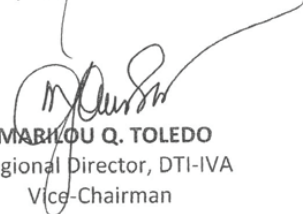
**SECTION 28. IMPLEMENTING RULES.** The Regional Board shall prepare the necessary rules and regulations to implement this Order, subject to the approval of the Secretary of Labor and Employment.

**SECTION 29. EFFECTIVITY.** This Order shall take effect fifteen (15) days upon publication in a newspaper of general circulation.

Approved this 20th day of December 2010 in Calamba City, Laguna.

  
**ATTY. RICARDO S. MARTINEZ, SR., CESO III**  
Chairman


  
**SEVERINO C. SANTOS**  
Regional Director, NEDA -IVA  
Vice-Chairman

  
**MARILOU Q. TOLEDO**  
Regional Director, DTI-IVA  
Vice-Chairman

  
**RENATO B. ALMEDA**  
Employers' Representative

  
**LUCILA C. TARRIELA**  
Employers' Representative

  
**JUANITO S. FACUNDO**  
Workers' Representative

  
**JESUS B. VILLAMOR**  
Workers' Representative

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2) Sec 12 (b)*

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1) amount in amount  
2) Sec. 12 (b)*



Republic of the Philippines  
DEPARTMENT OF LABOR AND EMPLOYMENT  
National Wages and Productivity Commission  
Regional Tripartite Wages and Productivity Board No. IV-A  
City of Calamba Laguna

**RULES IMPLEMENTING  
WAGE ORDER NO. IVA – 14**

Pursuant to Section 6, Rule IV of the NWPC Amended Rules of Procedure on Minimum Wage Fixing and Section 27 of Wage Order No. IV-A-14, the following rules are hereby issued for the guidance and compliance by all concerned:

**RULE I - GENERAL PROVISIONS**

**SECTION 1. TITLE.** This Rules shall be known as “Rules Implementing Wage Order No. IV A-14”;

**SECTION 2. DEFINITION OF TERMS.** As used in this Rules,

- (a) “Order” means Wage Order No. IVA – 14;
- (b) “Board” means the Regional Tripartite Wages and Productivity Board of Region IVA;
- (c) “Commission” means the National Wages and Productivity Commission;
- (d) “Department” means the Department of Labor and Employment;
- (e) “Region IVA” or **CALABARZON** covers the Provinces of Cavite, Laguna, Batangas, Rizal, Quezon, and the Cities of Cavite, Tagaytay, Trece Martirez, Calamba, San Pablo, Sta. Rosa, Batangas, Lipa, Tanauan, Antipolo and Lucena, per Executive Order 103;
- (f) “Growth Corridor Area” or areas rapidly urbanizing and industrializing parts of the Region, covering the Cities and Municipalities of Bacoor, Carmona, Cavite City, Dasmariñas, Gen. Mariano Alvarez, Gen. Trias, Imus, Kawit, Rosario, Silang, Tagaytay City, Tanza and Trece Martires City in Cavite; Biñan, Laguna Techno Park, San Pedro, Cabuyao, Calamba City, Los Baños, San Pablo City, Sta Cruz and Sta. Rosa City in Laguna, Batangas City, Bauan, Lipa City, Lima Technology Center, San Pascual, Sto. Tomas and Tanauan City in Batangas; Antipolo City, Cainta, Rodriguez, Tanay and Taytay, in Rizal; Lucena City in Quezon;
- (g) “Emerging Growth Area” or areas with rural and agricultural resource potential located at/or near the rapidly urbanizing and industrializing parts of the Region, covering the Municipalities of Indang, Naic, Noveleta and Ternate in Cavite; Paete and Pakil, in Laguna; Balayan, Calaca, Calatagan, Lemery, Mabini, Nasugbu, Rosario, and San Jose, San Juan and Taysan in Batangas; Angono, Binangonan, Pililia, San Mateo and Teresa in Rizal; Candelaria, Sariaya and Tiaong in Quezon;

- (h) **"Resource Based Area"** or areas with predominantly rural and agricultural resource potential far from regional and Metro Manila markets, covering the Municipalities of Alfonso, Amadeo, Gen Aginaldo, Magallanes, Maragondon and Mendez-Nuñez, in Cavite; Alaminos, Bay, Calauan, Cavinti, Famy, Kalayaan, Liliw, Luisiana, Lumban, Mabitac, Magdalena, Majayjay, Nagcarlan, Pagsanjan, Pangil, Pila, Rizal, Sta. Maria, Siniloan and Victoria in Laguna; Agoncillo, Alitagtag, Balete, Cuenca, Ibaan, Laurel, Lian, Lobo, Malvar, Mataas na Kahoy, Padre Garcia, San Luis, San Nicolas, Sta Teresita, Taal, Talisay, Tingloy and Tuy in Batangas; Baras, Cardona, Jala-Jala and Morong in Rizal; Agdangan, Alabat, Atimonan, Buenavista, Burdeos, Calauag, Catanauan, Dolores, Gen. Luna, Gen. Nakar, Guinayangan, Gumaca, Infanta, Jomalig, Lopez, Lucban, Macalelon, Mauban, Mulanay, Padre Burgos, Pagbilao, Panukulan, Patnanungan, Perez, Pitogo, Plaridel, Polilio, Quezon, Real, Sampaloc, San Andres, San Antonio, San Francisco, San Narciso, Tagkawayan, Tayabas and Unisan in Quezon;
- (i) **"Minimum Wage Rates"** refer to the lowest wage rate(s), as fixed by the Board, that an employer is obliged to pay his workers;
- (j) **"Non-Agriculture"** refers to establishments and industries other than agriculture and retail or service, regardless of employment size;
- (k) **"Agriculture"** refers to farming in all its branches and among others, includes the cultivation and tillage of the soil, production, cultivation, growing and harvesting of any agricultural or horticultural commodities, dairying, raising of livestock or poultry, the culture of fish and other aquatic products in farms or ponds, and any activities performed by a farmer or on farm as an incident to or in conjunction with such farming operations, but does not include the manufacturing and/or processing of sugar, coconut, abaca, tobacco, pineapple, aquatic or other farm products;
- (l) **"Plantation Agricultural Enterprise"** is one engaged in agriculture with an area of more than twenty four (24) hectares in a locality or which employs at least twenty (20) workers. Any other agricultural enterprise shall be considered as **"Non-Plantation Agricultural Enterprise"**;
- (m) **"Retail Establishment"** refers to an entity principally engaged in the sale of goods to end users for personal or household use. A retail establishment that regularly engages in wholesale activities loses its retail character. For purposes of this Implementing Rules, retail establishments must be regularly employing not more than 10 workers;
- (n) **"Service Establishment"** refers to an entity principally engaged in the sale of services to individuals for their own or household use and is generally recognized as such. For purposes of this Implementing Rules, service establishments must be regularly employing not more than 10 workers;
- (o) **"Barangay Micro Business Enterprise"** refers to any business entity or enterprise granted a Certificate of Authority under Republic Act No. 9178;
- (p) **"Productivity Based Incentive Scheme"**: is a formal incentive program that will provide motivation for higher employer and employee productivity performance, track, measure and recognize positive individual or group performance achieved against productivity program goals over a defined period of time. Productivity Based Incentive comes in a variety, the more common types are cash and non-cash incentives which may in effect increase the net take home pay of workers.



(q) **"Productivity Improvement Program"** refers to any intervention or scientific process designed to involve everyone in the organization in improving productivity through more efficient use/optimization of resources, on time production and delivery of quality goods and services that satisfy the requirements of the customer, such as: good housekeeping, quality circles, cost reduction, work simplification/process improvement, management control system, among others. It focuses on five (5) major areas of concern: a) quality improvement; b) competitive pricing; c) on time delivery; d) value addition; and e) safe and healthy work environment;

(r) **"Gainsharing Scheme"** refers to a system defining the manner or arrangement by which employees and company/employers share the financial gains arising from improved productivity and profitability based on predetermined set of policies, criteria and formula that governs both parties in interpreting and implementing the same.

(s) **"Exporter"** means any person, natural or juridical, licensed to do business in the Philippines, engaged directly or indirectly in the manufacture or trade of products or services which earn at least fifty percent (50%) of its normal operating revenues from the sale of its products or services abroad for foreign currency. In the case of indirect exporters, the requirement that products or services be sold "abroad for foreign currency" shall not apply as, by the very nature of their business, the sale of their products or services takes place in the Philippines and such indirect exporters are usually paid in Philippine currency;

(t) **"Export Establishments Affected by the Global Financial Crisis"** – refers to establishments which earn at least fifty percent (50%) of their normal operating revenues from export sales and reported to have badly hit by the financial crisis since 2008, had notified the DOLE-Regional Office IVA or its Provincial Offices of its move to resort to permanent or temporary displacements of workers and/or flexible work arrangements as a strategy to sustain business operations. These exporters as a result of the crisis suffered at least ten percent (10%) decline in export volume, sales and revenues primarily due to low demand from export market.

(u) **"New Business Enterprise"** refers to an establishment, including non-profit institutions, established within two (2) years from effectivity of the Wage Order based on the latest registration with the appropriate government agency such as SEC, DTI, CDA and Mayor's Office;

(v) **"Distressed Establishment"** refers to an establishment which meets the criteria enumerated in Section 3A of the National Wages and Productivity Commission (NWPC) Guidelines No. 02 S. 2007, known as Amended Rules on Exemption from Compliance with the Prescribed Wage Increases/Cost of Living Allowances Granted by the Regional Tripartite Wages and Productivity Boards;

(w) **"Notice to Workers (NTW)"** is a document that informs workers of the filing for exemption/deferment of the applicant firm with the Board. The NTW shall be under oath and shall contain information on the application and its supporting documents filed with the Board. The proper recipient of the NTW shall be the following; a.) union president, in case of organized establishments or b.) worker's representative, in case of non-unionized establishment;

(x) **"Acknowledgement Receipt (AR)"** is a document that shows that the NTW was received by the proper recipient. The AR shall be under oath and shall contain information on the recipient, his/her union affiliation, his/her company position/designation and/or information on what interest he/she represents. The recipient is deemed responsible for informing co-workers on the contents of the NTW and shall answer of misrepresentation should they arise.

## RULE II - NEW MINIMUM WAGE RATES

**SECTION 1. AMOUNT OF INCREASE.** Upon the effectivity of this Wage Order, all minimum wage workers and employees in the private sector in Region IV-A shall receive a basic wage increase of seventeen pesos (P17.00) per day, across the area classifications.

**SECTION 2. NEW MINIMUM WAGE RATES.** The new daily minimum wage rates of private workers and employees in Region IVA effective 15 January, 2011 are as follows:

AREAS	Non-Agriculture	Agriculture		Retail & Service Establishment employing not more than 10 workers
		Plantation	Non-Plantation	
<b>GROWTH CORRIDOR AREA</b>	337.00	312.00	292.00	232.00
<b>CAVITE</b> Bacoor, Imus				
<b>LAGUNA</b> Binan, Laguna Techno Park, San Pedro				
<b>RIZAL</b> Cainta, Taytay				
<b>CAVITE</b> Carmona, Cavite City, Dasmarinas, Gen. Trias, Rosario	315.00	290.00	270.00	210.00
<b>LAGUNA</b> Cabuyao, Calamba City, Los Baños, San Pablo City, Santa Cruz, Santa Rosa				
<b>RIZAL</b> Antipolo City				
<b>CAVITE</b> Gen. Alvarez, Kawit, Silang, Tagaytay City, Tanza, Trece Martirez	310.00	285.00	265.00	207.00
<b>BATANGAS</b> Batangas City, Bauan, Lipa City, LIMA Technology Center, San Pascual, Santo Tomas, Tanauan City				
<b>RIZAL</b> Rodriguez, Tanay				
<b>QUEZON</b> Lucena City				
<b>EMERGING GROWTH AREA</b>	291.00	266.00	246.00	190.00
<b>BATANGAS</b> Balayan, Calaca, Calatagan, Lemery, Mabini, Nasugbu, Rosario, San Jose				
<b>RIZAL</b> Angono, Binangonan, San Mateo				
<b>QUEZON</b> Candelaria, Sariaya				
<b>CAVITE</b> Indang, Naic, Noveleta, Ternate	280.00	255.00	235.00	177.00
<b>LAGUNA</b> Paete, Pakil				
<b>BATANGAS</b> San Juan				
<b>RIZAL</b> Piliia				
<b>QUEZON</b> Tiaong				

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AREAS	Non-Agriculture	Agriculture		Retail & Service Establishment employing not more than 10 workers
		Plantation	Non-Plantation	
<b>BATANGAS</b> Taysan	275.00	250.00	230.00	176.00
<b>RIZAL</b> Teresa				
<b>RESOURCE BASED AREA</b>				
<b>CAVITE</b> Alfonso, Amadeo, Gen. Aguinaldo, Magallanes, Maragondon, Mendez-Nunez	271.00	246.00	226.00	172.00
<b>LAGUNA</b> Alaminos, Bay, Calauan, Cavinti, Famy, Kalayaan, Liliw, Luisiana, Lumban, Mabitac, Magdalena, Majayjay, Nagcarlan, Pagsanjan, Pangil, Pila, Rizal, Santa Maria, Siniloan, Victoria				
<b>BATANGAS</b> Agoncillo, Alitagtag, Balete, Cuenca, Ibaan, Laurel, Lian, Lobo, Malvar, Mataas na Kahoy, Padre Garcia, San Luis, San Nicolas, Santa Teresita, Taal, Talisay, Tingloy, Tuy				
<b>RIZAL</b> Baras, Cardona, Jala-Jala, Morong				
<b>QUEZON</b> Agdangan, Alabat, Atimonan, Buenavista, Burdeos, Calauag, Catanauan, Dolores, Gen. Luna, Gen. Nakar, Guinayangan, Gumaca, Infanta, Jomalig, Lopez, Lucban, Macalelon, Mauban, Mulanay, Padre Burgos, Pagbilao, Panukulan, Patnanungan, Perez, Pitogo, Plaridel, Polilio, Quezon, Real, Sampaloc, San Andres, San Antonio, San Francisco, San Narciso, Tagkawayan, Tayabas, Unisan	253.00	233.00	213.00	165.00

All workers covered by the Order receiving less than the prescribed minimum wage(s) shall be adjusted at least to the new daily minimum wage rates prescribed herein.

**SECTION 3. RATIONALIZATION OF THE WAGE STRUCTURE.** In order to rationalize the wage structure, the Sugar Industry in the Region shall be categorized as Agriculture-Plantation regardless of the land area cultivated and the number of workers employed. Other agricultural activities shall be likewise reclassified in succeeding Wage Orders after due consultations. The Cottage and Handicraft Industry shall be classified into Non-Agriculture Industry or Barangay Micro Business Enterprises, as the case maybe.

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**SECTION 4. COVERAGE.** The minimum wage rates prescribed under the Order shall apply to all minimum wage workers and employees in all private establishments in Region IV-A regardless of their position, designation or status of employment and irrespective of the method by which their wages are paid. Not covered by this Wage Order are household or domestic helpers, persons employed in the personal service of another, including family drivers and workers of Barangay Micro Business Enterprises (BMBEs) with Certificates of Authority, pursuant to R. A. 9178.

**SECTION 5. BASIS OF MINIMUM WAGE RATES.** The minimum wage rates prescribed herein shall be for the normal working hours, which shall not exceed eight hours work a day.

**SECTION 6. APPLICATION TO WORKERS PAID BY RESULTS.** All workers paid by results, including those who are paid on piecework, takay, pakyaw, or task basis, shall receive not less than the applicable minimum wage rates prescribed under the Order for the normal working hours which shall not exceed eight (8) hours work a day, or a proportion thereof for work of less than the normal working hours.

The adjusted minimum wage rates of workers paid by results shall be computed in accordance with the following steps:

- a) Amount of increase in AMW  

$$\frac{\text{Amount of increase in AMW}}{\text{Previous AMW}} \times 100 = \% \text{ increase;}$$
- b) Existing rate/piece x % increase = Increase in rate/piece;
- c) Existing rate/piece + Increase in rate/piece = Adjusted rate/piece

Where: AMW is the applicable minimum wage rate.

The wage rates of workers who are paid by results shall be in accordance with Article 101 of the Labor Code, as amended and its Implementing Regulations.

**SECTION 7. PRODUCTIVITY BASED INCENTIVE SCHEMES.** In order to enhance the competitiveness of business, both labor and management shall endeavor to adopt productivity improvement schemes such as: good housekeeping, quality circles, labor management cooperation, among others at the company level, set up the mechanisms for productivity improvement programs and gain sharing schemes in order to increase the net take home pay workers. An advisory guidelines in the operationalization of Productivity Improvement and Gainsharing Programs is contained in this Implementing Rules attached as Annex B.

**SECTION 8. APPLICATION TO SPECIAL GROUPS OF WORKERS.** Wages of apprentices and learners shall in no case be less than seventy five percent (75%) of the applicable minimum wage rates prescribed in the Order. Apprenticeship shall be guided by the Kasanayan at Hanapbuhay Program – an Apprenticeship and Employment Program of the Department of Labor and Employment.

All recognized learnership and apprenticeship agreements entered into before the effectivity of the Order shall be considered automatically modified insofar as their wage clauses are concerned to reflect the adjustments prescribed under the Order.

All qualified handicapped workers shall receive the full amount of the minimum wage rate prescribed herein pursuant to R.A. 7277.

**SECTION 9. APPLICATION TO PRIVATE EDUCATIONAL INSTITUTIONS.** In the case of private educational institutions, the share of covered workers and employees in the increase of tuition fees for school year 2010-2011 shall be considered as compliance with the wage increase prescribed in this Order. However, payment of any shortfall in the prescribed increase set forth in this Order shall be covered starting SY 2011-2012.

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Private educational institutions, which have not increased their tuition fees for SY 2010-2011, may defer compliance with the provisions of the Order until the beginning of SY 2011-2012. In any case all private educational institutions shall implement the prescribed increase in the Order starting SY 2011-2012.

**SECTION 10. APPLICATION TO CONTRACTORS.** In the case of contracts for construction projects and for security, janitorial and similar services, the prescribed increase in the wage rate of covered workers shall be borne by the principals or clients of the construction/service contractor and the contracts shall be deemed amended accordingly. In the event, however, that the principals or clients fail to pay the prescribed wage rates, the contractors shall be jointly and severally liable with the principals or clients.

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For contracts entered into by registered BMBEs, their non coverage to the payment of the minimum wage does not in anyway extend to the principals or clients of the said BMBE.

**SECTION 11. APPLICATION TO MOBILE, BRANCH AND TRANSFERRED EMPLOYEES.**

**Mobile and Branch Employees**

The minimum wage rates of mobile workers, who by nature of their work have to travel, shall be those applicable in the domicile or head office of the employer. The minimum wage rates of workers working in branches or agencies of establishments within or outside the Region shall be those applicable in the place where they are stationed or based.

**Transfer of Personnel**

The transfer of personnel to areas outside the Region or from a high rate city/municipality to a lower rate city/municipality shall not be a valid ground for the reduction of the wage rates being enjoyed by the workers prior to such transfer. Workers transferred to other Regions or from a lower rate municipality to a higher rate municipality shall be entitled to the minimum wage rates applicable therein.

**RULE III - DEFERMENT**

**SECTION 1. DEFERMENT FOR EXPORT ESTABLISHMENTS.** Upon application with and as determined by the Board, establishments in the export industry which earn at least fifty percent (50%) of their normal operating revenues from export sales and whose product pricing is computed using labor costs based on previous mandated rates, or those which were affected by the global financial crisis may be granted deferment from the Order, but such deferment shall not to exceed six months to one year, as the case maybe.

**SECTION 2. APPLICATION TO EXPORT ESTABLISHMENTS.** Export establishments which earn at least fifty percent (50%) of their normal operating revenues from export sales and whose product pricing is computed using labor costs based on previous mandated minimum wage rates, the effectivity of minimum wage rates under this Order shall be deferred but shall not to exceed one year.

These conditions shall be verified based on predominant and accepted documents used in the industry that should show applicant entered into contracts before January 15, 2011, but these contracts shall be concluded, that is, produced and delivered, and consequently paid for between the periods January 15, 2011 to January 14, 2012.

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The allowable length of period of deferment grant shall be based on the weighted value or volume of which specific contract with the time and/or expected time of receipt of payment of each specific contract in proportion to the total contract value or volume for a one- year period plus thirty days payment lag.

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**SECTION 3. APPLICATION TO EXPORT ESTABLISHMENTS AFFECTED BY GLOBAL FINANCIAL CRISIS.**

Export establishments which earn at least fifty percent (50%) of their normal operating revenues from export sales and were documented by or have reported to the DOLE-Regional Office IVA or its Provincial Offices to have been badly hit by the economic crisis since 2008. These exporters affected by the financial crisis may be allowed deferment from compliance with the prescribed increase for six (6) months from the effectivity of this Order upon application with and as determined by the Board based on compliance with the criteria and requirements set forth herein.

**SECTION 4.** It is understood that avilment of one relief shall mean exclusion of the other.

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**SECTION 5. APPLICATION FOR DEFERMENT FOR EXPORT ESTABLISHMENTS.** Application for deferment shall be filed not later than seventy-five (75) days from the date of publication of the approved Rules Implementing this Order, provided that all required documents in support of the application must be filed within the said 75-day filing period and that no further extension of filing and submission of required documents shall be allowed. The date of mailing shall be the date of filing. All required and supporting documents should be submitted in two (2) legible copies with proper tabs and labels.

**Documents Required:**

- a. Application letter under oath with attendant information on the firm's principal economic activity, amount of total assets, date of start of operation, the regular number and names of workers with their corresponding salaries and wages and dates of employment, certificate of compliance with the prescribed minimum wage under Wage Order immediately preceding the new Wage Order; and
- b. Proof of notice of filing of the application to the President of the union/contracting party if one is organized in the establishment, or if there is no union, a copy of the circular giving general notice of the filing of application to all workers in the establishment. The proof of notice, which may be translated in the vernacular, shall state that the workers' representative was furnished a copy of the application with all the supporting documents. The notice shall be posted in a conspicuous place in the establishment.

**Additional Supporting Documents Required:****1. Direct Exporters**

- a. Certification of at least 50% Export Sales Status to be secured from PEZA Central Office in coordination with concerned PEZA Manager/s in the area/or from BOI.
- b. Certified true copy of Contracts with Foreign Buyers/s entered into before January 15, 2011, but for production, delivery and subsequent payment between the periods January 15, 2011 to January 14, 2012, including summary listing of contracts with corresponding volume, value and date of shipment.
- c. Invoices, Bills of Lading, Confirmed Inward Letters of Credit, Lading Certificate and other Commercial documents with reference to the contracts described above.

**2. Indirect Exporters**

- a. Certification from Consignee/s that export products consigned were in fact sold by consignee/s.

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- b. Certification of at least 50% Export Sales Status of Consignee/s to be secured from PEZA Central Office in coordination with concerned PEZA Manager/s in the area/or from BOI.
- c. Certified true copy of Contracts with Consignee/s entered into before January 15, 2011, but for production, delivery and subsequent payment between the periods January 15, 2011 to January 14, 2012, including summary listing of contracts with corresponding volume, value and date of shipment.
- d. Certified true copy of Purchase Orders, Invoices, Receipts and other Commercial Documents with reference to contracts described above.

**SECTION 6. APPLICATION FOR EXPORT ESTABLISHMENTS AFFECTED BY GLOBAL FINANCIAL CRISIS.**

Application for deferment shall be filed not later than seventy-five (75) days from the date of publication of the approved Rules Implementing this Order, provided that all required documents in support of the application must be filed within the said 75-day filing period and that no further extension of filing and submission of required documents shall be allowed. The date of mailing shall be the date of filing. All required and supporting documents should be submitted in two (2) legible copies with proper tabs and labels.

**Documents Required:**

- a. Application letter under oath with attendant information on the firm's principal economic activity, amount of total assets, date of start of operation, the regular number and names of workers with their corresponding salaries and wages and dates of employment, certificate of compliance with the prescribed minimum wage under Wage Order immediately preceding the new Wage Order; and
- c. Proof of notice of filing of the application to the President of the union/contracting party if one is organized in the establishment, or if there is no union, a copy of the circular giving general notice of the filing of application to all workers in the establishment. The proof of notice, which may be translated in the vernacular, shall state that the workers' representative was furnished a copy of the application with all the supporting documents. The notice shall be posted in a conspicuous place in the establishment.

**Additional Supporting Documents Required:**

**1. Direct Exporters**

- a. Certification of at least 50% Export Sales Status to be secured from PEZA Central Office in coordination with concerned PEZA Manager/s in the area/or from BOI.
- b. Certified true copy of Contracts with Foreign Buyers/s entered between the periods 2007, 2008 and 2009, including comparative summary of contracts/orders/sales and other commercial documents with reference to the contracts during the three-year period 2007, 2008, and 2009 showing at least ten percent (10%) decline in export volume, sales and/or revenues primarily due to low demand from export market.
- c. Certification from DOLE-RO IVA or its Provincial Offices that the establishment reported to have been affected by the global financial crisis in 2008 and 2009 by filing displacement report.
- d. Audited Income Statement filed with and stamped "received" by the appropriate government agency covering the full accounting periods in 2007, 2008 and 2009.
- e. In the absence of any of the requirements mentioned above, other documentary evidences may be presented as will convince the Board to grant the application for deferment.

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## 2. Indirect Exporters

- a. Certification of at least 50% Export Sales Status of Consignee/s to be secured from PEZA Central Office in coordination with concerned PEZA Manager/s in the area/or from BOI.
- b. Certification from Consignee/s that export products consigned were in fact sold by consignee/s.
- c. Certified true copy of Contracts with Foreign Buyers/s entered between the periods 2007, 2008 and 2009, including comparative summary of contracts/orders/sales and other commercial documents with reference to the contracts during the three-year period 2007, 2008, and 2009 showing at least ten percent (10%) decline in export volume, sales and/or revenues primarily due to low demand from export market.
- d. Certification from DOLE-RO IVA or its Provincial Offices that the establishment reported to have had affected by the global financial crisis in 2008 and 2009 by filing displacement report.
- e. Audited Income Statement filed with and stamped "received" by the appropriate government agency covering the full accounting periods in 2007, 2008 and 2009.
- f. In the absence of any of the requirements mentioned above, other documentary evidences may be presented as will convince the Board to grant the application for deferment.

**SECTION 7. BASIS AND DURATION OF DEFERMENT.** For Export Establishments, the allowable length of period of deferment grant shall be based on the weighted value or volume of each specific contract with the time and/or expected time of receipt of payment of each specific contract in proportion to the total contract value or volume for a one year period. For Export Establishments Affected by Global Financial Crisis, the basis shall be the contracts during the three-year period 2007, 2008, and 2009 showing at least ten percent (10%) decline in export volume, sales and/or revenues primarily due to low demand from export market and may be allowed deferment for a period of six months from the effectivity of the Order.

**SECTION 8. EFFECT OF FILING OF APPLICATION FOR DEFERMENT.** Whenever an application for deferment has been filed with the Regional Board, action by the Regional Office of the Department of Labor and Employment on any complaint for alleged non-compliance with the Order shall be deferred pending resolution of the application for deferment by the Regional Board.

**SECTION 9. EFFECT OF DISAPPROVED APPLICATION FOR DEFERMENT.** In the event that an application for deferment is not granted, covered workers and employees shall receive the appropriate compensation due them as provided for in the Order plus interest of one percent (1%) per month retroactive to the effectivity of the said Order or from the period not covered by the grant of deferment, whichever is applicable.

**SECTION 10. MOTION FOR RECONSIDERATION.** An aggrieved party may file with the Board a motion for reconsideration of the decision on the application for exemption within ten (10) days from its receipt and shall state the particular grounds upon which the motion is based, copy furnished the other party and the DOLE Regional Office concerned.

No second motion for reconsideration shall be entertained in any case. The decision of the Board shall be final and executory unless appealed to the Commission.

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**RULE IV - EXEMPTION**

**SECTION 1. EXEMPTION.** Upon application with and as determined by the Regional Board in accordance with the applicable rules and regulations, New Business Enterprises and Distressed Establishments as defined in the NWPC Guidelines No. 02 S. 2007 "Amended Rules on Exemption from Compliance with the Prescribed Wage Increases/Cost of Living Allowances Granted by the Regional Tripartite Wages and Productivity Boards" may be exempted from compliance with the Order. The criteria for exemption for these exemptible categories shall be those provided for in the said Amended Rules on Exemption except, in the case of Distressed Establishments, only full or partial exemption may be allowed.

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**1. New Business Enterprise (NBE)**

**Documents Required:**

- a. Application letter under oath with attendant information on the firm's address of economic activity, principal economic activity and product/s, date of start of operation provided it is registered with appropriate government agency, amount of total assets/investments, number of employees employed with the corresponding basic salaries/wages;
- b. Proof of notice of filing of the application to the President of the union/contracting party if one is organized in the establishment, or if there is no union, a copy of the circular giving general notice of the filing of application to all workers in the establishment. The proof of notice, which may be translated in the vernacular, shall state that the workers' representative was furnished a copy of the application with all the supporting documents. The notice shall be posted in a conspicuous place in the establishment;
- c. Certified true copy of Business Permit or Certificate of registration with appropriate government agency such as SEC, DTI, CDA, Mayors Office; and
- d. Certificate of Commercial Operation to be secured from the PEZA Central Office in coordination with concerned PEZA Manager/s in the area/or from BOI.

**2. Distressed Establishment**

**Documents Required:**

- a. Application letter under oath with attendant information on the firm's address of economic activity, principal economic activity and product/s, amount of total assets, date of start of operation, regular number and names of workers with their corresponding basic salaries and wages and dates of employment, certificate of compliance with the prescribed minimum wage under Wage Order immediately preceding the new Wage Order;
- b. Proof of notice of filing of the application, to the President of the union/contracting party if one is organized in the establishment, or if there is no union, a copy of the circular giving general notice of the filing of application, to all workers in the establishment. The proof of notice, which may be translated in the vernacular, shall state that the workers' representative was furnished a copy of the application with all the supporting documents. The notice shall be posted in a conspicuous place in the establishment;
- c. Full or Partial Exemption. Audited financial statements (together with the Auditor's opinion and the notes thereto) for the last two (2) full accounting periods preceding the effectivity of the Order (2008-2009) filed with and stamped "received" by the appropriate government agency; and

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**SECTION 2. SUBMISSION OF OTHER DOCUMENTS.** The Board may require the submission of other pertinent documents to support the application for exemption.

**SECTION 3. APPLICATION FOR EXEMPTION:** Application for exemption shall be filed not later than seventy-five (75) days from the date of publication of the approved Rules Implementing this Order, provided that all required documents in support of the application must be filed within the said 75-day filing period and that no further extension of filing and submission of required documents shall be allowed. The date of mailing shall be the date of filing.

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In the case of New Business Enterprises, applications shall be filed not later than sixty (60) days after the date of registration.

The application shall be under oath and accompanied by complete supporting documents as enumerated under Section 1, Rule IV of this Implementing Rules. All required and supporting documents should be submitted in two (2) legible copies with proper tabs and labels.

**SECTION 4. EXTENT AND DURATION OF EXEMPTION.** The extent and duration of exemption shall be in accordance with Section 5 of the NWPC Guidelines No. 02 S. 2007 except, in the case of Distressed Establishments only full or partial exemption may be allowed as follows:

Full exemption of one (1) year from effectivity of the Order shall be granted to all exemptible categories of establishments that meet the applicable criteria for exemption.

Partial exemption of 50% from effectivity of the Order with respect to the period of exemption shall be granted only in the case of distressed establishments.

**SECTION 5. DISTRESSED PRINCIPAL.** Exemption granted to a distressed principal shall not extend to its contractor in case of contract (s) for construction, security, janitorial and/or similar services with respect to the employees of the latter assigned to the former.

**SECTION 6. ADOPTION OF PRODUCTIVITY IMPROVEMENT PROGRAMS.** Establishments granted exemption are required to adopt productivity improvement initiatives or schemes to improve business viability. The Board shall provide technical assistance in the development of a productivity improvement program in the establishment.

**SECTION 7. EFFECT OF FILING OF APPLICATION FOR EXEMPTION.** Whenever an application for exemption has been filed with the Regional Board, action by the Regional Office of the Department of Labor and Employment on any complaints for alleged non-compliance with this Order shall be deferred pending resolution of the application for exemption by the Regional Board.

**SECTION 8. EFFECT OF DISAPPROVED APPLICATION FOR EXEMPTION.** In the event that the application for exemption is not approved, covered workers shall be paid the mandated wage increase as provided for under the Order retroactive to the date of effectivity of the Order plus simple interest of one percent (1%) per month.

**SECTION 9. MOTION FOR RECONSIDERATION.** An aggrieved party may file with the Board a motion for reconsideration of the decision on the application for exemption within ten (10) days from receipt of the decision, stating the particular grounds upon which the motion is based, copy furnished the other party and the Regional Office of the Department.

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No second motion for reconsideration shall be entertained in any case. The decision of the Board shall be final and executory unless appealed to the Commission.

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## RULE V - CREDITABLE WAGE INCREASE

**SECTION 1.** No wage increase shall be credited as compliance with the increases prescribed under the Order unless expressly provided under collective bargaining agreements.

**SECTION 2.** In unorganized establishments, any increase granted by the employer within three (3) months prior to the effectivity of this Order shall be credited as compliance therewith.

**SECTION 3.** In both cases where the increases given are less than the prescribed Minimum Wage, the employer shall pay the difference. Such increases shall not include anniversary increases, merit wage increases and those resulting from the regularization or promotion of employees.

## RULE VI - WAGE DISTORTION

**SECTION 1. WAGE DISTORTION.** A situation where an increase in prescribed wage rates results in the elimination or severe contraction of intentional quantitative differences in wage or salary rates between and among employee groups in an establishment as to effectively obliterate the distinctions embodied in such wage structure based on skills, length of service, or other logical bases of differentiation.

**SECTION 2. CORRECTION OF WAGE DISTORTION.** Where the application of any prescribed wage increase by virtue of a Wage Order issued by the Board results in distortions of the wage structure within an establishment, the employer and the union shall negotiate to correct the distortions. Any dispute arising from wage distortions shall be resolved through the grievance procedure under their collective bargaining agreement, and if it remains unresolved, through voluntary arbitration. Unless otherwise agreed by the parties in writing, such dispute shall be decided by the voluntary arbitrator or panel of voluntary arbitrators within ten (10) days from the time said dispute was referred to voluntary arbitration.

In cases where there are no collective agreements or recognized labor unions, the employers and workers shall endeavor to correct such distortions. Any dispute arising therefrom shall be settled through the National Conciliation and Mediation Board and, if it remains unresolved after ten (10) days of conciliation, shall be referred to the appropriate branch of the National Labor Relation Commission (NLRC). It shall be mandatory for the NLRC to conduct continuous hearings and decide the dispute within twenty (20) days from the time said dispute is submitted for compulsory arbitration.

The pendency of a dispute arising from a wage distortion shall not in any way delay the applicability of any increase in prescribed wage rates pursuant to the provisions of the Wage Order.

**SECTION 3. FORMULA.** Advisory formulae to correct distortion are contained in this Implementing Rules attached as Annex A.

## RULE VII - APPEAL

**SECTION 1. APPEAL ON THE WAGE ORDER.** Not later than ten (10) days from the date of publication of the Order, any party aggrieved by a Wage Order issued by the Board may appeal such Order to the Commission by filing a verified appeal with the Board in three (3) printed legible copies. The appeal shall be accompanied by a memorandum of appeal which shall state the grounds relied upon, the arguments in support of the appeal and the relief being sought.

The Board shall serve notice of the appeal to concerned parties. Failure to file an appeal within the reglementary period fixed under this section or to submit the required documents shall be a ground for dismissal of the appeal.

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A motion for reconsideration on the Wage Order filed with the Board, shall be treated as an appeal subject to the requisites for the perfection of appeal under the NWPC Guidelines No. 01 Series of 2007.

An appeal may be filed on the grounds of non-conformity with prescribed guidelines and/or procedures, questions of law, and grave abuse of discretion.

**SECTION 2. APPEAL ON EXEMPTION.** Any party aggrieved by the decision of the Board may file an appeal to the Commission, through the Board, in two (2) legible copies, not later than ten (10) days from date of receipt of the decision.

The appeal, with proof of service to the other party, shall be accompanied with a memorandum of appeal which shall state the date appellant received the decision, the grounds relied upon and the arguments in support thereof.

#### RULE VIII - SPECIAL PROVISIONS

**SECTION 1. COMPLAINTS FOR NON-COMPLIANCE.** Complaints for non-compliance with the Order shall be filed with the Regional Office of the Department having jurisdiction over the workplace and shall be the subject of enforcement proceedings under Articles 128 and 129 of the Labor Code, as amended.

**SECTION 2. NON-DIMINUTION OF BENEFITS.** Nothing in the Order and in this Rules shall be construed to reduce any existing wage rates, allowances and benefits of any form under existing laws, decrees, issuances, executive orders, and/or under any contract or agreement between the workers and the employers.

**SECTION 3. PENAL PROVISION.** Pursuant to provisions of Section 12 of RA 6727, as amended by RA 8188, any person, corporation, trust, firm, partnership, association or entity which refuses or fails to pay the prescribed increase in the Order shall be punished by a fine of not less than Twenty-five Thousand pesos (P25,000.00) nor more than One Hundred Thousand Pesos (P100,000.00) or imprisonment of not less two (2) years nor more than four (4) years or both such fine and imprisonment at the discretion of the court. Provided, that any person convicted under the order shall not be entitled to the benefits provided for under the Probation Law.

If the violation is committed by a corporation, trust or firm, partnership, association or any other entity, the penalty of imprisonment shall be imposed upon the entity's responsible officers, including but not limited to the president, vice president, chief executive officer, general managers, managing director or partner.

The employer/s concerned shall be ordered to pay an amount equivalent to double the unpaid benefits owing to the employees: Provided that payment of indemnity shall not absolve the employer from criminal liability imposable under this Act.

**SECTION 4. PROHIBITION AGAINST INJUNCTION.** No preliminary or permanent injunction or temporary restraining order may be issued by any court, tribunal or other entity against and proceedings before the Commission or Boards.

**SECTION 5. FREEDOM TO BARGAIN.** The Order shall not be construed to prevent workers in particular firms or enterprises of industries from bargaining for higher wages and flexible working arrangements with their respective employers.

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**SECTION 6. REPORTING REQUIREMENTS.** Any person, company, corporation, partnership or any entity engaged in business shall submit a verified itemized listing of their labor component to the Board not later than January 31, 2012 and every year thereafter in accordance with the form prescribed by the Commission.


**SECTION 7. REPEALING CLAUSE.** All orders, issuances, rules and regulations on wages, or parts thereof inconsistent with the provisions of the Wage Order and this Rules are hereby repealed, amended or modified accordingly.


**SECTION 8. SEPARABILITY CLAUSE.** If any provision or part of the Order and this Rules, or the application thereof to any person or circumstance is held invalid or unconstitutional, the remainder of the Order and this Rules or the application of such provision or part thereof to other persons or circumstances shall not be affected thereby.

**SECTION 9. EFFECTIVITY.** This Rules shall take effect on January 15, 2011.


Done this 3<sup>rd</sup> day of January 2011 in Calamba City, Laguna, Philippines.

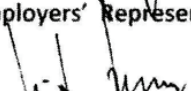
  
**ATTY. RICARDO S. MARTINEZ, SR., CESO III**  
 Regional Director, DOLE-IVA  
 Chairman

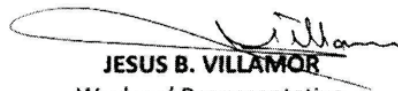
  
**SEVERINO C. SANTOS**  
 Regional Director, NEDA -IVA  
 Vice-Chairman

  
**MARLOU Q. TOLEDO**  
 Regional Director, DTI-IVA  
 Vice-Chairman

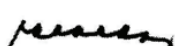
  
**RENATO B. ALMEDA**  
 Employers' Representative


  
**LUCILA C. TARRIELA**  
 Employers' Representative

  
**JUANITO S. FACUNDO**  
 Workers' Representative

  
**JESUS B. VILLAMOR**  
 Workers' Representative

Approved this 11th day of January, 2011

  
**ROSALINDA DIMAPILIS-VALDOZ**  
 Secretary  
 Department of Labor and Employment

 Dept. of Labor & Employment  
 Office of the Secretary



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## ADVISORY FORMULA in MANAGING WAGE DISTORTION

Exponential Method

$$DA = DMWA \times \left( \frac{DMW}{DCW} \right)^n$$

where:

DA Distortion Adjustment  
 DMWA Daily Minimum Wage Adjustment (WO#IVA-14 )  
 DMW Daily Minimum Wage (WO#IVA-13)  
 DCW Daily Current Wage  
 n Distortion Exponent Factor where n varies from 0  $\longrightarrow$   $\infty$

Sample Computation:

$$DA = 17 \times \left( \frac{320.00}{330.00} \right)^5$$

$$DA = 17 \times \left( 0.969697 \right)^5$$

$$DA = 14.58$$

Assuming values for n given DMWA, DMW, DCW, the Distortion Adjustment or DA is determined as follows:

**DISTORTION ADJUSTMENT**  
(in Pesos)

DMWA	DMW	DCW	Exponent Factor					
			0	1	2	3	5	$\infty$
17	320	320	17.00	17.00	17.00	17.00	17.00	
17	320	322	17.00	16.89	16.79	16.69	16.48	
17	320	323	17.00	16.84	16.69	16.53	16.23	
17	320	325	17.00	16.74	16.48	16.23	15.73	
17	320	328	17.00	16.59	16.18	15.79	15.03	
17	320	330	17.00	16.48	15.99	15.50	14.58	
17	320	332	17.00	16.39	15.79	15.22	14.14	
17	320	335	17.00	16.24	15.51	14.82	13.52	
17	320	339	17.00	16.05	15.15	14.30	12.74	
17	320	345	17.00	15.77	14.63	13.57	11.67	
17	320	350	17.00	15.54	14.21	12.99	10.86	
17	320	365	17.00	14.90	13.07	11.46	8.81	
17	320	370	17.00	14.70	12.72	11.00	8.23	
17	320	380	17.00	14.32	12.06	10.15	7.20	
17	320	390	17.00	13.95	11.45	9.39	6.32	
17	320	400	17.00	13.60	10.88	8.70	5.57	

Source: Regional Tripartite Wages and Productivity Board-IVA

**ADVISORY FORMULA in MANAGING WAGE DISTORTION**

**Cut-Off Method**

$$DA = DMWA - \left\{ \left( \frac{DCW - DMW}{CO - DMW} \right) \times DMWA \right\}$$

where:

- DA = Distortion Adjustment
- DMWA = Daily Minimum Wage Adjustment (WO#IVA-14)
- DMW = Daily Minimum Wage (WO#IVA-13)
- DCW = Daily Current Wage
- CO = Cut-off Amount

**Sample Computation:**

$$DA = 17 - \left\{ \left( \frac{368.00 - 320.00}{800.00 - 320.00} \right) \times 17 \right\}$$

$$DA = 17 - \left\{ \left( \frac{48.00}{480.00} \right) \times 17 \right\}$$

DA = 15.30

Assuming values for CO given, DMWA, DMW,DCW, the Distortion Adjustment or DA is determined as follows:

**DISTORTION ADJUSTMENT/S**

(in Pesos)

DMWA	DMW	DCW	Cut -Off Amount				
			400	600	800	900	1200
17	320	320	17.00	17.00	17.00	17.00	17.00
17	320	322	16.58	16.88	16.93	16.94	16.96
17	320	323	16.36	16.82	16.89	16.91	16.94
17	320	324	16.15	16.76	16.86	16.88	16.92
17	320	325	15.94	16.70	16.82	16.85	16.90
17	320	326	15.73	16.64	16.79	16.82	16.88
17	320	330	14.88	16.39	16.65	16.71	16.81
17	320	335	13.81	16.09	16.47	16.56	16.71
17	320	338	13.18	15.91	16.36	16.47	16.65
17	320	340	12.75	15.79	16.29	16.41	16.61
17	320	342	12.33	15.66	16.22	16.36	16.58
17	320	345	11.69	15.48	16.11	16.27	16.52
17	320	350	10.63	15.18	15.94	16.12	16.42
17	320	355	9.56	14.88	15.76	15.97	16.32
17	320	358	8.93	14.69	15.65	15.89	16.27
17	320	360	8.50	14.57	15.58	15.83	16.23
17	320	362	8.08	14.45	15.51	15.77	16.19
17	320	365	7.44	14.27	15.41	15.68	16.13
17	320	368	6.80	14.09	15.30	15.59	16.07

Source: Regional Tripartite Wages and Productivity Board-IVA

**ADVISORY GUIDELINES ON HOW TO PROMOTE AND ESTABLISH PRODUCTIVITY IMPROVEMENT  
PROGRAM AND PRODUCTIVITY-BASED INCENTIVE PAY SCHEMES**  
(A Process to Operationalize Section 7 of Wage Order No. IVA-14)

**I. Purpose of the Guidelines:**

1. To encourage the implementation of enterprise level Productivity Improvement Program in small and medium sized private establishments in Region - IVA.
2. To establish a closer link between wage levels beyond the minimum wage and productivity in order to sustain rising levels of wages, enhance the competitiveness of business and promote the creation and preservation of employment;
3. To enable employers develop a systematic and sustainable approach for improving productivity and wages through the active involvement and cooperation of its employees;
4. To allow employees to obtain a fair share of the gains arising from productivity growth and performance improvements, thereby promoting harmonious employee-employer relationship, higher productivity/performance and compensation package; and
5. To serve as a guide and not intended to replace, reduce or diminish existing productivity gainsharing arrangements and other forms of productivity bonus/ incentives being implemented in the private establishments in the Region.

**II. Key Elements in the Implementation of the Guidelines:**

- a) Formation and creation of a productivity committee or its equivalent function to serve as a mechanism for the promotion and operationalization of Productivity Improvement Program where concerns of mutual interest to both employees and company/ employers towards higher productivity, profitability and competitiveness will be identified, discussed and resolved cooperatively, and where other productivity and quality related activities such as Quality Circle, Small Group Activity, Labor-Management Council, etc. can be further pursued and strengthened.
- b) Design/ installation of Productivity Improvement Program in the establishment, involving everyone in the organization, regardless of the status of their employment. The scope and coverage may be company-wide, departmental, or selected work unit/s, depending on what is more suitable to the establishment. The focus may be: reduction of costs, improvement of quality, development of new product/service, improvement of processes, six sigma analysis, suggestion scheme, reduction in process cycle time, increase productivity, increase profit, increase customer satisfaction, increase market share, improvement of supplier-customer relationship, etc.
- c) Establish/ institutionalize a System for Measuring Productivity/Performance Improvement including the criteria and performance grading metrics, targets, standards and cap setting, formula, period covered and other relevant factors.
- d) Develop a system for rewarding individual or group employees' performance, (variable component of its total compensation package) and employers' share, attributed to their respective contributions in the productivity and profitability performance of the establishment, including funding source, manner and method of payment, etc.

**III. Definition of Terms:**

**A. What is a Productivity-Based Incentive Program?**

It is a program partnered by the company management and the employees whose main objective is geared towards improving company's level of productivity in terms of Labor Productivity, Material Productivity and Energy Productivity and the like. These will be done through more efficient utilization of resources, on time production and delivery of quality goods and services that satisfy the requirements of the customers, such as good housekeeping, quality circles, cost reduction, work simplification, process improvement, management control system, among others. It focuses on four (4) major areas of concern: a) quality improvement, b) competitive pricing, c) on-time delivery, d) safe and healthy work environment.

In the process, whatever will be the gain or monetary savings as a result of the increased productivity, the company shares it with the employees in the form of monetary incentives. The monetary incentives will not come from the coffer of the company but rather from the different productivity activities the employees will undertake.

**B. Who are Qualified for the Productivity Incentive?**

All employees regardless of level and status can be qualified to receive productivity incentives. However, job performance criteria can be applied in determining individual amount of monetary incentives that each can receive on a particular month or year, such as:

- Performance Rating
- Attendance
- Tardiness
- Administrative violations and offenses

**IV. General Formula on Productivity Gain Sharing**

1. Performance and Profit Sharing Model
2. Productivity Linked Model
3. Value Added Model
4. Scanlon Plan
5. Rucker Plan
6. Productivity/Cost Savings



## Illustrative Examples :

### 1. Performance and Profit Sharing Model

#### Illustrative Computation :

Assumptions:

Profit After Tax (6 mos.)	P 200,000.00
Less: 50% (of Profit After Tax ) as Company Share	<u>100,000.00</u>
Net Profit Available for Sharing	<b>P 100,000.00</b>

Total Labor Cost or Payroll (6 mos.) **P 384,946.00**

Employee		Multiplier
A	(P320/day + 24% mandatory benefits x 26 days x 6 mos.)	0.1608
B	(P320/day + 24% mandatory benefits x 26 days x 6 mos.)	0.1608
C	(P350/day + 24% mandatory benefits x 26 days x 6 mos.)	0.1759
D	(P400/day + 24% mandatory benefits x 26 days x 6 mos.)	0.2010
E	(P600/day + 24% mandatory benefits x 26 days x 6 mos.)	0.3015
		<b>P <u>384,946.00</u></b>

#### Distribution of Gains:

- Fixed Share: 50% (of the Net Profit Available for Sharing) to be pro-rata shared by all employees depending on salary pay scale.
- Variable Share: 50% (of the Net Profit for Sharing) to be distributed based on the employees group/individual performance using the Performance Appraisal Rating (PAR), salary level, and credit months. Performance Appraisal Rating (PAR) may include criteria such as efficiency, capability, attitude, attendance, etc.

#### Computation of Share per Employee

##### a. Fixed Share per Employee

50% of Net Profit Available for Sharing (P50,000.00) x Multiplier

Employee	Multiplier		50% Amt. for Sharing	=	Employee Share
A	0.1608	x	50,000.00	=	8,040.22
B	0.1608	x	50,000.00	=	8,040.22
C	0.1759	x	50,000.00	=	8,793.96
D	0.2010	x	50,000.00	=	10,050.24
E	0.3015	x	50,000.00	=	15,075.36
					<u>50,000.00</u>

### b. Variable Share Per Employee

50% x Net Profit Available for Sharing (P50,000.00) x Performance Rating

Employee	Total Compensation	Performance Appraisal Rating	Multiplier	Credited Months		Weighted Points
A	61,901.00	85 x	0.1608 / 100	x 6/6	=	0.136683717
B	61,901.00	90 x	0.1608 / 100	x 5.5/6	=	0.132663607
C	67,704.00	88.5 x	0.1759 / 100	x 6/6	=	0.155653105
D	77,376.00	92.5 x	0.2010 / 100	x 6/6	=	0.185929455
E	116,064.00	95 x	0.3015 / 100	x 6/6	=	0.286431863
	<b>384,946.00</b>					

Employee	Weighted Points		50% Amt for Sharing	Employee Share
A	0.152317	x	50,000.00 =	7,615.86
B	0.147837	x	50,000.00 =	7,391.87
C	0.173456	x	50,000.00 =	8,672.82
D	0.207196	x	50,000.00 =	10,359.78
E	0.319193	x	50,000.00 =	15,959.67
				<b>50,000.00</b>

### c. Total Performance & Profitability Based Pay Per Employee (6-mos. Period)

Employee	Fixed Share		Variable Share		Total Incentive
A	8,040.22	+	7,615.86	=	15,656.08
B	8,040.22	+	7,391.87	=	15,432.09
C	8,793.96	+	8,672.82	=	17,466.78
D	10,050.24	+	10,359.78	=	20,410.02
E	<u>15,075.36</u>	+	<u>15,959.67</u>	=	<u>31,035.03</u>
	<b>50,000.00</b>		<b>50,000.00</b>		<b>100,000.00</b>

## 2. Productivity Linked Model

Group/Individual Incentive Scheme based on actual performance achieved vs. criteria, targets/standards set. The group/individual will qualify for the Productivity Incentive (2 levels) if they achieve the following standards set.

- Monthly Productivity Incentive
- Yearly Productivity Incentive

Illustration :

Performance Criteria	Standard/Target (Tolerance Variance)	Pts.	Actual Performance	Points Achieved	Points System	Pts.
<i>1. Sales</i>						
Turnover	5% monthly budget	1	10%	2	100% of the std.	2
					200% of the std.	4
Total (P)	5% monthly target	1	10%	2	100% of the std.	2
					200% of the std.	4
<i>2. Production</i>						
Quantity	5% monthly target	1	5%	1	within the std.	1
					100% of the std.	2
Quality	2% prodn rejects/ loss	1	1%	2	2% prodn rejects	1
					1% prodn rejects	2
	No controllable customer complaints	1	1 customer Complaint	0	within the std.	1
					not within std.	0

Performance Criteria	Standard/Target (Tolerance Variance)	Pts.	Actual Performance	Points Achieved	Points System	Pts.
3. Cost Savings						
Process Improvement	5% production costs/ productive time	1	15%	3	300% of the std. 200% of the std.	3 2
5 S/Lay out	5% productive time	1	5%	1	within the std. 100% of the std.	1 2
Total Productive Maintenance	3% monthly budget	1	3%	1	3% within the std. 3.5%-5%	1 2
Energy Cost	3% monthly budget	1	3%	1	3% within the std. 3.5%-5%	1 2
Delivery Cost	3% monthly budget	1	3%	1	3% within the std.	1
		<u>10</u>		<u>14</u>	3.5%-5%	2

#### Distribution of Gains :

- c. Monthly Productivity Incentive is based on the number of points attained each month. Total points earned has a corresponding amount of incentive to be shared to every employee. The higher the number of criteria attained, the higher is the incentive per employee. If overall Actual Productivity Performance  $\geq$  Targeted/Standard Performance for criteria 3 (Cost Savings) each employee shall receive only the Monthly Productivity Incentive.

Month	Points Achieved		Corresponding Incentive
Month 1	8 pts.	x	P 80.00
Month 2	14 pts.	x	P100.00

No. of Criteria Achieved	Incentive (in Pesos)
10	100
9	90
8	80
7	70
6	60
5	50
4	40
3	20
2	-
1	-

						Month 1	Month 2
<b>Employee</b>	A	P320/day x 26 days = 8,320	=	8,320	+	P 80.00	P100.00
	B	P320/day x 26 days = 8,320	=	8,320	+	P 80.00	P100.00
	C	P350/day x 26 days = 9,100	=	9,100	+	P 80.00	P100.00
	D	P400/day x 26 days = 10,400	=	10,400	+	P 80.00	P100.00
	E	P600/day x 26 days = 15,600	=	15,600	+	P 80.00	P100.00

- d. Yearly Productivity Incentive: If overall Actual Productivity Performance  $>$  Targeted/Standard Performance for criteria 1, 2, & 3 by 5%, an additional amount of P \_\_\_\_ for each employee.

### 3. Value Added Model

#### Illustrative Computation :

Figures used are only for illustration purposes  
Five (5) Employees

- a. Compute for the Value-Added ( Subtraction Method)

	Month 1	Month 2	Growth Rate
Sales	P 450,000	P 500,000	
Less: Bought in Materials & Services			
Materials	140,000	150,000	
Production Overhead	45,000	50,000	
Administrative Expenses	15,000	20,000	
Total Bought in Mats. & Serv	200,000	220,000	
<b>Gross Value Added</b>	<b>P 250,000</b>	<b>P 280,000</b>	<b>12%</b>

- b. Compute for the Value-Added (Addition Method)

	Month 1	Month 2	Growth Rate
Net Profit	P 174,000	P 200,000	
Less: Non Operating Income	1,000	2,600	
Adjusted Profit	173,000	197,400	
Labor Cost	65,000	70,000	
Depreciation	5,000	6,000	
Interest	2,000	1,000	
Taxation	5,000	5,600	
<b>Gross Value Added</b>	<b>P 250,000</b>	<b>P 280,000</b>	<b>12%</b>

- c. Compute for the Key Productivity Indicators

Key Productivity Indicators	Month 1	Month 2	Growth Rate
<b>Labor Productivity</b>			
Value Added per Employee (P) (Value Added/No. of Employees)	50,000	56,000	12.00%
Value Added per Peso Sales (%) (Value Added/Sales)	55.56	56.00	.80%
Sales per Employee (Sales/No. of Employees)	90,000	100,000	11.11%
			<b><u>Ave. 7.97%</u></b>
<b>Labor Cost Competitiveness</b>			
Value Added per Peso Labor Cost (Value Added/Labor Cost)	3.85	4.00	4.00%
<b>Profitability</b>			
Operating Profit per Peso Sales (%) (Operating Profit/Sales)	38.44	39.48	2.69%

#### Distribution of Gains :

Amount of Incentive Per Employee (for Month 3) = Monthly Basic Pay x 7.97% x Amount for Distribution

Note: Percentage of Productivity Incentive should lag behind Labor Productivity Growth Rate

#### 4. Scanlon Plan

##### Illustrative Computation :

Compute for the Bonus Percentage :

	Month 1	Month 2
Net sales	P450,000	P 500,000
Increase/ (Decrease) in Inventroy		
Sales Value of Production	P450,000	P 500,000
Allowed Payroll Costs (20%)	90,000	100,000
Actual Payroll Costs	65,000	65,000
Bonus Pool	25,000	35,000
Company Share (25%)	6,250	8,750
Employee	18,750	26,250
Deficit Reserve (25%)	4,688	6,563
Available for Immediate Distribution	14,063	19,688
Participating Payroll	65,000	65,000
<b>Bonus Percentage</b>	<b>21.6%</b>	<b>30.3%</b>

##### Distribution of Gains:

Amount of Productivity Incentive Per Employee = Monthly Basic Pay x Bonus Percentage x Amount Available for Distribution

#### 5. Rucker Plan

##### Illustrative Computation :

Compute for the Bonus Percentage:

	Month 1	Month 2
Sales	P450,000	P500,000
Outside Purchases:		
Materials	140,000	150,000
Production Overhead	45,000	50,000
Administrative Expenses	15,000	20,000
Total Outside Purchases	200,000	220,000
Value Added	250,000	280,000
Rucker Standard (48%)	120,000	134,400
Actual Payroll Costs	65,000	65,000
Bonus Pool	55,000	69,400
Deficit Reserve (25%)	13,750	17,350
Available for Immediate Distribution	41,250	52,050
Participating Payroll	65,000	65,000
<b>Bonus Percentage</b>	<b>63.5%</b>	<b>80.1%</b>

##### Distribution of Gains :

Amount of Productivity Incentive Per Employee = Monthly Basic Pay x Bonus Percentage x Amount Available for Distribution

## 6. Productivity Savings Formula

### A. Materials Productivity Gainsharing

#### Basis of Scheme:

- Gain sharing on productivity savings on Material Loss from Production and Deadstock

#### Scope:

- All qualified input raw materials which can be measured by quantity, by weight, by length or by any other unit of measures
- Company-wide
- All employees regardless of level and status can be entitled to gain sharing
- Periodic Productivity Gain Sharing

#### Productivity Savings Sharing Scheme :

- The sharing on productivity savings will be left to the parties concerned, depending on what they will mutually agree upon and what is mutually beneficial to the parties concerned as determined and maybe recommended by the members of the productivity committee. However, employees' share on productivity savings may normally range from a low of 1% to a high of 50%.

#### General Formula :

1. Using the product sales information from Production Planning and Control functions, determine the allowable Material Loss for the year using the formula below:

Total Allowable Material Loss for the year:  
 = Quantity of products or goods sold during the last fiscal or calendar year (pcs)  
 x Amount in Peso of Standard Material Loss per piece of product  
 (as per Product Costing Dept.)

*Example:*

Type of Product ( A )	Qty. of Product Sold for the Year ( B )	Amount of Standard Material Loss per Piece ( C )	Amount of Allowable Material Loss D = B x C
A	50,000 pcs.	₱ 20.0 / pc.	₱ 1,000,000
B	40,000 pcs.	₱ 15.0 / pc.	₱ 600,000
C	30,000 pcs.	₱ 10.0 / pc.	₱ 300,000
D	20,000 pcs.	₱ 5.0 / pc.	₱ 100,000
		TOTAL	₱ 2,000,000

2. Monthly, the total amount of material loss or defective parts and components from production will be computed and recorded.
3. At the end of each fiscal or calendar year, the total amount of dead stocks from raw material inventory will be computed and recorded.
4. Productivity Savings in Material Loss for the year will be computed using formula below:

Productivity Savings = Total Amount of Allowable Material Loss for the year  
 - (Total Amount of Actual Material Loss from production for the year  
 + Total Amount of parts deadstocks for the year).

*Example :*

( A )	Amount of Allowable Material Loss (computed on Step # 3)	: ₱ 2,000,000
( B )	Amount of Actual Material Loss from Production (from Manufacturing Dept. Report)	: ₱ 500,000
( C )	Amount of Parts Deadstock (from Material Planning Dept.)	: ₱ 700,000

Productivity Savings on Material Loss ( D ) :

$$\begin{aligned}
 &= A - ( B + C ) \\
 &= \text{P } 2,000,000 - ( \text{P } 500,000 + \text{P } 700,000 ) \\
 &= \text{P } 800,000
 \end{aligned}$$

5. For example, Productivity Gain Sharing between company and employees, is 80% for the company and 20% for the employees :

*Example:*

Total Amount of Productivity Savings ( A )	Company's Share B = A x 80%	Employees Share C = A x 20%
₱ 800,000	₱ 640,000	₱ 160,000

#### Productivity Gain Sharing on the Employees:

1. In computing the Productivity Gain Sharing amount per individual employee, the formula will be as follows :

Productivity Gain Sharing per employee :

$$\begin{aligned}
 &= \text{Productivity Gain Sharing Amount per day (Peso per day)} \\
 &x \text{ Number of actual days of attendance of the employee for the year}
 \end{aligned}$$

Where, Productivity Gain Sharing Amount per day is :

$$= \frac{\text{Total Amount of Employees Productivity Gain Share for the Year}}{(\text{Total No. of Employees} \times \text{Total No. of working days for the year})}$$

Applying from the Example :

$$\begin{aligned}
 (A) \quad &\text{Total Amount of Employees Productivity Gain Share} &: & \text{₱ } 160,000 \\
 (B) \quad &\text{Total Number of Employees} &: & 500 \\
 (C) \quad &\text{Total Number of Working Days for the year} &: & 260
 \end{aligned}$$

Productivity Gain Sharing Amount Per Day :

$$\begin{aligned}
 &= \frac{A}{(B \times C)} \\
 &= \frac{\text{₱ } 160,000}{(500 \text{ employees} \times 260 \text{ working days})} \\
 &= \text{₱ } 1.23 \text{ per day per employee}
 \end{aligned}$$

*Example :*

Employee " A " has 250 days attendance for the year. How much is his Productivity Gain Share?

$$\begin{aligned}
 \text{Productivity Gain Share} &= 250 \text{ days} \times \text{₱ } 1.23 \text{ per day} \\
 &= \text{₱ } 307.50
 \end{aligned}$$

## B. Labor Productivity Gain Sharing

### Basis of Scheme :

- Productivity Gain Sharing on Increase in Production Efficiency

### Scope :

- Company-wide
- All employees regardless of level and status can be entitled to gain sharing
- Periodic Productivity Gain Sharing

### Productivity Savings Sharing Scheme :

- The sharing on productivity savings will be left to the parties concerned, depending on what they will mutually agreed upon and what is mutually beneficial to the parties concerned. However, employees' share on productivity savings may range from 1% to 50%.

### General Formula :

1. Monthly or Periodically the company's management sets Target Production Efficiency as the basis or benchmark of productivity increase.

#### Example :

- Target Production Efficiency for the month : 85%
- Anything beyond 85% target will be considered increase in labor productivity

2. Monthly, the Actual Production Line Efficiency will be computed using formula below :

$$\text{Production Line Efficiency (Generic Formula)} = \frac{\text{Output}}{\text{Input}} \times 100$$

- In different companies, computation method of Production Line Efficiency may vary depending on the product or production system, thus, computation method will be left to individual companies.

#### Example :

Actual Production Line Efficiency for the month : 87%

3. Using Data on Step # 1 and # 2, compute for the equivalent amount of productivity savings on increase on Production Efficiency with the formula below :

#### Productivity Savings on Increase in Production Efficiency :

$$\begin{aligned} &= (\text{Target Efficiency} - \text{Actual Efficiency}) / 100 \\ &\times \text{Total number of hours of direct and indirect employees used for} \\ &\quad \text{the month (based on payroll data)} \\ &\times (\text{Employees Average Basic Pay per day} \times 1 \text{ day} / 7.5 \text{ hours}) \\ &= (\text{Unit Peso}) \end{aligned}$$

#### Example :

- (A) Target Efficiency for the month (from step # 1) : 85%
- (B) Actual Efficiency for the month : 87%
- (C) Total number of hours of Direct and Indirect employees used for the month (based on payroll data) : 200,000 hours
- (D) Employees Average Basic Pay per day : ₱ 500.00/ day

#### Productivity Savings on Increase in Production Efficiency (E) :

$$\begin{aligned} E &= (87\% - 85\%) / 100 \times (200,000 \text{ hours} \times \text{₱ } 500/\text{day} \times 1 \text{ day}/7.5 \text{ hrs.}) \\ &= \text{₱ } 266,666 \end{aligned}$$

4. Determine the Extra-Ordinary Expenses in the production occurred during the month, namely :

1. Rework Cost
2. Airfreight Cost
3. Other Costs



Rework Cost :

- Rework cost due to product defects wherein the company is held responsible for, categorized into the following :
  - a. Repairs done at customer side due to product defect  
Repair Cost = Material Cost + Repair Cost
  - b. Cost of scrap products due to defects  
Scrap Cost = (Defective Qty. x Production Cost per unit)  
+ Delivery Cost

Airfreight Cost (Raw Materials and Product)

- Delivery of Product by Air Shipment due to production delay
- Delivery of parts/components by Air Shipment charged to the Company

5. Compute Net Productivity Savings on Labor Productivity for the month using the formula below:

$$\begin{aligned} \text{Net Productivity Saving on Labor Productivity for the month :} \\ &= \text{Productivity Savings on Increase in Production Efficiency} \\ &- (\text{Rework Cost} + \text{Airfreight Cost}) \end{aligned}$$

Example :

(A)	Productivity Savings on Increase in Production Efficiency for the month (Computed on Step #3)	: ₱ 266,666
(B)	Rework Cost	: ₱ 60,000
(C)	Airfreight Cost	: ₱ 50,000

Productivity Net Saving on Labor Productivity for the month (D) :

$$\begin{aligned} D &= A - (B + C) \\ &= ₱ 266,666 ( ₱ 60,000 + ₱ 50,000) \\ &= ₱ 156,666 \end{aligned}$$

6. For example, Gain Sharing between company and employees, is 80% for the company and 20% for the employees.

Applying from the example:

Total Net Savings on Labor Productivity for the month ( A )	Company's Share B = A x 80%	Employees Share C = A x 20%
₱ 156,666	₱ 125,332	₱ 31,334

Gain Sharing on the Employees :

1. In computing the Gain Sharing amount per individual employee, the formula will be as follows :

$$\begin{aligned} \text{Gain Sharing per employee :} \\ &= \text{Gain Sharing Amount per day (Peso per day)} \\ &x \text{ Number of actual days of attendance of the employee for the year} \end{aligned}$$

Where, Gain Sharing Amount per day is :

$$= \frac{\text{Total Amount of Employees Gain Share for the year}}{\text{(Total No. of Employees x Total No. of working days for the year)}}$$

Applying from the Example :

( A )	Total Amount of Employees Gain Share	: ₱ 31,334
( B )	Total Number of Employees	: 500
( C )	Total Number of Working Days for the year	: 260

Gain Sharing Amount Per Day :

$$\begin{aligned}
 &= \frac{A}{(B \times C)} \\
 &= \frac{\text{₱ } 31,334}{(500 \text{ employees} \times 260 \text{ working days})} \\
 &= \text{₱ } 0.24 \text{ per day per employee}
 \end{aligned}$$

*Example :*

Employee " A " has 250 days attendance for the year. How much is his Productivity Gain Share for the month?

$$\begin{aligned}
 \text{Productivity Gain Share} &= 250 \text{ days} \times \text{₱ } 0.24 \text{ per day} \\
 &= \text{₱ } 60.00
 \end{aligned}$$

### C. Energy Productivity Gain Sharing

#### **Basis of Scheme:**

- Gain Sharing on Productivity savings on Kw-Hr consumption per unit product output

#### **Scope:**

- Company-wide
- All employees regardless of level and status can be entitled to gain sharing
- Periodic Productivity Gain Sharing

#### **Productivity Savings Sharing Scheme:**

- The sharing on productivity savings will be left to the parties concerned, depending on what they will mutually agreed upon and what is mutually beneficial to the parties concerned. However, employees' share on productivity savings may normally range from a low of 1% to a high of 50%.

#### **General Formula:**

1. Set target kilowatt-hour per unit output for the year, using formula below :

$$\text{Target Kw-Hr per unit output} = \frac{\text{Total Kw-Hr used last year (from Electric Billing)}}{\text{Total unit output last year (from Prod'n. Planning Dept. Report)}}$$

*Example :*

( A ) Total Kw – Hr used last year : 500,000 Kw-Hr

( B ) Total unit output last year : 2,000,000 units

Target Kw-Hr per unit output ( C ) :

$$\begin{aligned}
 C &= \frac{A}{B} \\
 &= \frac{500,000 \text{ Kw-Hr}}{2,000,000 \text{ units}} \\
 &= 0.25 \text{ Kw – Hr per unit}
 \end{aligned}$$

2. Determine monthly Actual Kw-Hr consumption per unit output using formula below :

$$\text{Actual Kw-Hr per unit output} = \frac{\text{Total Kw-Hr used for the month (from Electric Billing)}}{\text{Total unit output for the month (from Prod'n. Planning Dept.)}}$$

*Example :*

( A ) Total Kw – Hr used for the month : 40,000 Kw-Hr

( B ) Total unit output for the month : 200,000 units

Actual Kw-Hr per unit output ( C ) :

$$\begin{aligned} C &= \frac{A}{B} \\ &= \frac{40,000 \text{ Kw-Hr}}{200,000 \text{ units}} \\ &= 0.20 \text{ Kw-Hr per unit} \end{aligned}$$

3. Compute the amount of productivity savings from Kw-Hr consumption for the month, using data from step # 1 and # 2 based on the formula below :

$$\begin{aligned} \text{Amount of Productivity Savings} &= (\text{Target Kw-Hr per unit output} \\ &\quad - \text{Actual Kw-Hr per unit output for the month}) \\ &\quad \times \text{Total unit output for the month} \times \text{Actual Cost per Kw-Hr} \end{aligned}$$

*Example :*

( A ) Target Kw – Hr per unit output (from step #1) : 0.25 Kw-Hr per unit

( B ) Actual Kw-Hr per unit output (from step #2) : 0.20 Kw-Hr per unit

( C ) Total Unit Output for the month : 200,000 units

( D ) Actual Cost per Kw-Hr (from Electric Billing) : ₱ 10.0 per Kw-Hr

Amount of Productivity Savings for the Month ( E ) :

$$\begin{aligned} E &= (A - B) \times C \times D \\ &= (0.25 - 0.20 \text{ Kw-Hr per unit}) \times 200,000 \text{ units} \times \text{₱ } 10.0/\text{Kw-Hr} \\ &= \text{₱ } 100,000 \end{aligned}$$

4. For example, Productivity Gain Sharing between company and employees is 80% for the company and 20% for the employees.

*Example :*

Amount of Productivity Savings in Kw-Hr consumption for the year :

Month	Amount ₱
1	100,000
2	50,000
3	-
4	45,000
5	-
6	60,000
7	30,000
8	25,000
9	15,000
10	-
11	35,000
12	40,000
TOTAL	₱ 400,000

Total Amount of Productivity Savings ( A )	Company's Share B = A x 80%	Employees' Share C = A x 20%
₱ 400,000	₱ 320,000	₱ 80,000

**Productivity Gain Sharing on the Employees :**

1. In computing the Productivity Gain Sharing amount per individual employee, the formula will be as follows:

$$\begin{aligned} &\text{Productivity Gain Sharing per employee :} \\ &= \text{Productivity Gain Sharing Amount per day (Peso per day)} \\ &x \text{ Number of actual days of attendance of the employee for the year} \end{aligned}$$

Where, Productivity Gain Sharing Amount per day is :

$$= \frac{\text{Total Amount of Employees Productivity Gain Share for the year}}{(\text{Total No. of Employees} \times \text{Total No. of working days for the year})}$$

Applying from the Example :

( A )	Total Amount of Employees Productivity Gain Share	:	₱ 80,000
( B )	Total Number of Employees	:	500
( C )	Total Number of Working Days for the year	:	260

Productivity Gain Sharing Amount Per Day :

$$\begin{aligned} &= \frac{A}{(B \times C)} \\ &= \frac{₱ 80,000}{(500 \text{ employees} \times 260 \text{ working days})} \\ &= ₱ 0.62 \text{ per day per employee} \end{aligned}$$

*Example :*

Employee " A " has 250 days attendance for the year. How much is his Productivity Gain Share for the year?

$$\begin{aligned} \text{Productivity Gain Share} &= 250 \text{ days} \times ₱ 0.62 \text{ per day} \\ &= ₱ 155.00 \end{aligned}$$