

SIXTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)



13 SEP 16 P3:09

SENATE

Senate Bill No. 1662

RECEIVED BY. *ji*

INTRODUCED BY SEN. JINGGOY EJERCITO ESTRADA

EXPLANATORY NOTE

Section 3, Art. IX-B of the 1987 Constitution states:

"The Civil Service Commission, as the central personnel agency of the Government, shall establish a career service and adopt measures to promote morale, efficiency, integrity, responsiveness, progressiveness, and courtesy in the civil service. It shall strengthen the merit and rewards systems, integrate all human resources development program for all levels and ranks, and institutionalize a management climate conducive to public accountability." X x x

This bill seeks to strengthen the enforcement of this constitutional mandate by establishing a mechanism for reward and incentive pay for all officials and employees in the government. Through this bill low salaries of government employees would be augmented by means of a reward and incentive pay scheme. Under the proposed incentive pay scheme, a portion of the revenue collection in excess of the target for the year by a revenue-generating government agency will be allocated or reserved for distribution to all government employees employed in revenue and non-revenue generating government instrumentalities. In all cases, the reward and incentive pay will be based on the performance and productivity standard set by the Civil Service Commission on Audit, and the Department of Finance, in coordination with the Departments, instrumentalities, agencies, boards or commissions concerned.

To illustrate, if the Bureau of Customs exceeds its collection target for the year by P3.0 billion, forty percent (40%) of this amount or P1.2 billion will be set aside as a Special Fund. Of the latter amount fifty percent (50%) or P600 million will be distributed to all the Bureau's employees in a manner to be determined by the Department of Finance and the Bureau, in coordination with the Civil Service Commission on Audit, and the Department of Finance, in coordination with the Departments, instrumentalities, agencies, boards or commissions concerned.

The proposed measure was previously filed in the House of Representatives by more than one hundred seventy (170) members led by Congressman Miguel Romero.

This Bill was conceptualized during one of the executive training workshops for House Members conducted by the Dean Gaston Z. Ortigas of the Asian Institute of Management (AIM) in the previous years.

Former Civil Service Chairman Patricia Sto. Tomas stated in an endorsement letter that "The proposed measure is a concrete translation of the rewards and incentives principle".

Likewise, Former Labor Secretary Ruben D. Torres, through his Office stated that "This Bill is an opportune answer to the need of a more responsive mechanism that would promote morale, efficiency, integrity, responsiveness, progressiveness and courtesy in the civil service. We fully support the idea to establish a mechanism for incentive pay for all employees and officials in the government-owned or controlled corporations with original charters based on productivity and performance.

The approval of this bill is earnestly requested.



JINGGOY EJERCITO ESTRADA
Senator

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Senate
Office of the Secretary

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**AN ACT
INSTITUTING AN INCENTIVE PAY SYSTEM, BASED ON PRODUCTIVITY
AND PERFORMANCE, FOR ALL OFFICIALS AND EMPLOYEES OF THE
GOVERNMENT, AND FOR OTHER PURPOSES**

*Be it enacted by the Senate and House of Representatives of the Philippines in
Congress assembled:*

SECTION 1. Title. The Act shall known and referred to as "**Kaunlaran
ng Bayan**".

SEC. 2. Declaration of Policy. It is declared policy of the State to
promote the morale, efficiency, integrity, responsiveness, progressiveness, and
courtesy in the Civil Service. Towards this end, the State shall institute an
incentive mechanism based on productivity and performance.

SEC. 3. Incentive Pay Based on Productivity and Performance. The
provision of any law to the contrary notwithstanding, an incentive pay system,
based on productivity and performance, shall be instituted in the government
service. The incentive pay system under this Act shall be disbursed annually
based on the accepted standards of productivity and performance as prescribed
by the Civil Service Commission, Commission on Audit, Department of Finance,
and the departments, instrumentalities, agencies, boards, and commissions
concerned.

The special fund for this pay scheme shall be derived from forty per
centum (40%) of any sum beyond the amount or level of revenue target during
the year by the government office which shall be prescribed by a committee
composed of Secretary of Finance, the Secretary of Budget and Management,
and the Director-General of the National Economic Development Authority:
Provided, that Fifty per centum (50%) of the Special Fund shall be disbursed to
the officials and employees of the government office which generated the said
amount in a manner to be determined by the departments, instrumentalities,
agencies, boards and commissions concerned, in accordance with the rules and
regulations of the Civil Service Commission, the Commission on Audit, and the
Department of Finance, taking into account the productivity and performance, as
well as the salary level, of the said officials and employees, and the balance shall
be entrusted to the Department of Budget and Management for eventual
distribution to departments, instrumentalities, agencies, boards and commissions

which are non-revenue generating in the same manner and considering the same factors: Provided, that the incentive pay shall be distributed in cash, within thirty (30) days after December 31 of each year" Provided, further, That this incentive pay scheme shall not apply to the President, Vice President, members of the Cabinet rank, and members of the Congress.

SEC. 4. *No Diminution of Benefits.* The application of the reward and incentive pay under this Act shall be in addition to all benefits already enjoyed by officials and employees under other Laws. The pay contemplated herein shall not result in any diminution of the benefits of employee and officials upon effectivity of this Act.

SEC. 5. *Rules and Regulations.* The Department of Finance, the Department of Budget and Management, the Civil Service Commission and the Commission on Audit shall promulgate rules and regulations necessary to carry out the purpose of this Act.

SEC. 6. *Repealing Clause.* The provision of any law executive or administrative order, rules and regulations or parts thereof, inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 7. *Effectivity Clause.* This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in at least two (2) newspapers of national circulation.

Approved,