

**MALACAÑAN PALACE**

**MANILA**

**EXECUTIVE ORDER NO. 7**

**DIRECTING THE RATIONALIZATION OF THE COMPENSATION AND POSITION CLASSIFICATION SYSTEM IN THE GOVERNMENT-OWNED AND-CONTROLLED CORPORATIONS (GOCCs) AND GOVERNMENT FINANCIAL INSTITUTIONS (GFIs), AND FOR OTHER PURPOSES**

**WHEREAS**, transparency, accountability and prudence in government spending are among the core governance policies being adopted by this administration;

**WHEREAS**, while Government Owned and Controlled Corporations (GOCCs) and Government Financial Institutions (GFIs), by the nature of their operations, are accorded greater flexibility to function properly and efficiently under a market environment, such flexibility shall nevertheless be consistent with the precept of public accountability;

**WHEREAS**, there is a need to strengthen the supervision over the compensation levels of GOCCs and GFIs, in order to control the grant of excessive salaries, allowances, incentives and other benefits;

**WHEREAS**, under Item (9) of the Senate and House of Representatives Joint Resolution (J.R.) No. 4, s. 2009, agencies exempted from Republic Act (R.A.) No. 6758, as amended, shall observe the policies, parameters and guidelines governing position classification, salary rates, categories and rates of allowances, benefits, and incentives prescribed by the President;

**NOW, THEREFORE, I, BENIGNO S. AQUINO III**, President of the Philippines, by virtue of the powers vested in me by the Constitution, Presidential Decree No. 985, Presidential Decree No. 1597, R.A. No. 6758, as amended by the J.R. Nos. 1, s. 1994, and 4, s. 2009, do hereby order and direct:

**SECTION 1.** Rationalization of the Compensation and Position Classification System in GOCCs and GFIs. — The compensation and position classification system in all GOCCs and GFIs shall be rationalized in accordance with the policies, principles and parameters prescribed in this Order.

**SECTION 2.** Guiding Principles. — The following principles, patterned after the governing principles in J.R. No. 4, s. 2009, shall guide the rationalization of the compensation and position classification system in GOCCs and GFIs:

a. All government personnel shall be paid just and equitable compensation in accordance with the principle of equal pay for work of equal value.

b. The compensation for government personnel shall generally be comparable with those in the private sector doing comparable work in order to attract, retain and motivate a corps of competent civil servants.

c. The compensation for government personnel shall be standardized and rationalized to create an enabling environment that will promote social justice, integrity, efficiency, productivity, accountability and excellence in the civil service.

d. A performance-based incentive scheme which integrates personnel and organizational performance shall be established to reward exemplary servants and well-performing institutions.

e. A periodic review of the compensation and position classification system shall be conducted taking into account the changes in skills and competency requirements and the possible erosion in the purchasing power due to inflation, and other factors.

f. The compensation for government personnel shall be kept fair and reasonable in recognition of fiscal realities and personal services cost shall be maintained at a reasonable proportion of over-all expenditures.

**SECTION 3. Total Compensation Framework.** – All remuneration granted to members of the board of directors/trustees, officers and rank-and-file employees of GOCCs and GFIs shall be categorized in accordance with the Total Compensation Framework established under Item (4) of J.R. No. 4. Under this framework, total payment for services rendered by personnel shall be limited to the following categories:

a. Basic Salaries, including Step Increments;

b. Standard Allowances and Benefits which are given to all employees across agencies;

c. Specific-Purpose Allowances and Benefits which are given under specific conditions, based on actual performance of work; and,

d. Incentives, which are rewards for loyalty to government service and for exceeding performance targets.

**SECTION 4. Standard Components of the Compensation and Position Classification System.** – To standardize the compensation and position classification system in all GOCCs and GFIs, said system have the following components:

a. Compensation System

i. A salary scheduled to cover full-time employment, and salary rules to implement the payment of salaries and step increments; and,

ii. Set of allowances, benefits, incentives categorized pursuant to the Total Compensation Framework; and guidelines, rules for the grant thereof.

**b. Position Classification System**

i. Index of occupational groups, classes of position, and salary grades;

ii. Standards of specifications for each class of positions; and,

iii. Rules, regulations, and procedure for the administration and maintenance of the position classification system.

**SECTION 5.** Rationalization of Indirect Compensation Excluded from the Total Compensation Framework. – Provident Fund benefits, additional health insurance, and other benefits that are indirect compensation and are excluded from the Total Compensation Framework, shall likewise be rationalized in accordance with the policies to be issued by the President upon recommendation of the Task Force created in Section 7 hereof.

**SECTION 6.** Considerations in Setting Compensation Levels in GOCCs and GFIs. – In setting compensation level, the peculiar nature of corporate operations shall be taken into account. The following factors shall be considered:

a. Coverage of the GOCC/GFI under R.A. No. 6758, as amended, or exemption therefrom;

b. Strategic position of the GOCC/GFI in the industry where it belongs;

c. Proprietary nature of operations;

d. Requirement for highly technical or specialized skills and expertise in corporate operations;

e. Comparability of the compensation package with prevailing industry practices;

f. Financial capabilities and viability of the GOCC/GFI, to include:

i. Operational stability and self-sufficiency

ii. Consistency in income/profit performance and attainment of output or service targets

- iii. Remittance of dividends to the National Treasury
- iv. National Government support in terms of subsidy, equity, net lending, or tax subsidy;
- g. Proportion of Personal Services expenditure to total corporate operating budget;
- h. Privatization plans; and,
- i. Other relevant factors.

**SECTION 7.** Creation of a Task Force on Corporate Compensation. – A Task Force on Corporate Compensation (TFCC) is hereby created to undertake the review of all remuneration granted to members of the board of directors/trustees, officers and rank-and-file employees, as well as discretionary funds of GOCCs and GFIs, to be composed of the Office of the President as Chair, and the Department of Budget and Management, the Department of Finance, and the Civil Service Commission as members. The TFCC shall perform the following:

- a. Prepare an updated inventory of the salaries, allowances, incentives, and other benefits, under both direct and indirect compensation, given to all members of the board of directors/trustees, officers and rank-and-file employees, whether covered by or exempted from R.A. No. 6758, as amended, including those received from subsidiaries and private corporations, if any, as well as discretionary funds;
- b. Categorize all remuneration granted to members of the board of directors/trustees, officers and employees of these entities in accordance with the Total Compensation Framework in Section 3 above, and those considered as indirect compensation under Section 5 hereof; and,
- c. Formulate and recommend measures to rationalize the compensation system and the use of discretionary funds in specific GOCCs and GFIs, including putting a cap on total compensation. The TFCC shall submit a report on its findings and recommendations to the President within 90 days from issuance of this Order.

**SECTION 8.** Submission of Information on All Personnel Remuneration. — All GOCCs and GFIs shall submit to the TFCC, information on all salaries, allowances, incentives, and other benefits under both direct and indirect compensation, granted to members of the board of directors/trustees, officers and rank-and-file employees, as well as discretionary funds, in a format to be prescribed by the TFCC, certified correct by the Department Secretary who has supervision over the GOCC/GFI.

**SECTION 9.** Moratorium on Increases in Salaries, Allowances, Incentives and Other Benefits. – Moratorium on increases in the rates of salaries, and the grant of new

increases in the rates of allowances, incentives and other benefits, except salary adjustments pursuant to Executive Order No. 8011 dated June 17, 2009 and Executive Order No. 900 dated June 23, 2010, are hereby imposed until specifically authorized by the President.

**SECTION 10.** Suspension of All Allowances, Bonuses and Incentives for Members of the Board of Directors/Trustees. – The grant of allowances, bonuses, incentives, and other perks to members of the board of directors/trustees of GOCCs and GFIs, except reasonable per diems, is hereby suspended for until December 31, 2010, pending the issuance of new policies and guidelines on the compensation of these board members.

**SECTION 11.** Effectivity. – This Executive Order shall take effect immediately upon publication.

**DONE** in the City of Manila, this 8<sup>th</sup> day of September, in the year of our Lord, Two Thousand and Ten.

(Sgd.) **BENIGNO S. AQUINO III**

By the President:

(Sgd.) **PAQUITO N. OCHOA, JR.**

Executive Secretary