

[**EXECUTIVE ORDER NO. 7, September 08, 2010**]

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.