

**[ADMINISTRATIVE ORDER NO. 161, December
06, 1994]**

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

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

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

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

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

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

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

SECTION 2. Coverage - The benefits herein authorized shall apply to all appointive officials and employees of the national government, local government units and government-owned and/or - controlled corporations and government financial institutions, including casual, temporary and full-time contractual personnel whose employment is in the nature of regular personnel, who obtained at least a satisfactory performance rating for the two (2) semesters immediately preceding the year in which the incentive pay shall be released and who have contributed to the productivity of their office/agency as determined by their respective heads of agency; Provided, that, officials and employees of government sequestered/foreclosed corporations that are covered by the national labor laws