

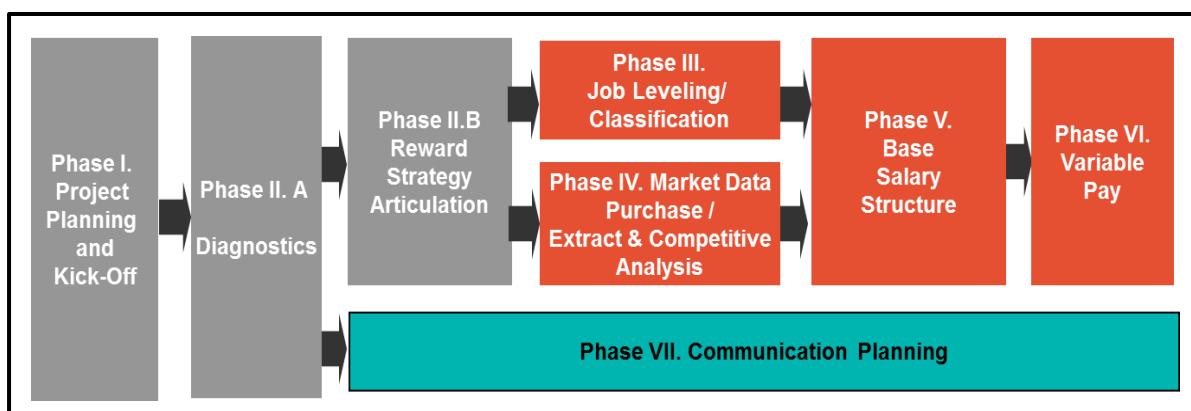
## METHODOLOGY

### DEVELOPMENT OF THE COMPENSATION AND POSITION CLASSIFICATION SYSTEM FOR GOVERNMENT OWNED AND CONTROLLED CORPORATIONS (GOCC's)

Republic Act (RA) 10149 created the Governance Commission for GOCC's (GCG), a central advisory body with authority to monitor and provide oversight to formulate, implement and coordinate policies. Among its functions is "to conduct compensation studies, develop and recommend to the President a competitive compensation and remuneration system which shall attract and retain talent, at the same time allow the GOCC to be financially sound and sustainable."

In response to the Terms of Reference received from the GCG, Towers Watson (TW) is pleased to submit this Technical Proposal. This document outlines the scope, methodology, and activities involved in developing a compensation & position classification system for the GOCC's.

#### Our Proposed Approach



Based on our understanding of your requirements, we propose a series of consultant-facilitated and participative approaches in order to develop the following:

- A reward strategy consistent with provisions set forth in RA No. 10149
- A job classification system that will apply to all officers and employees of GOCCs
- A base salary structure aligned with the market to prescribe basic pay for jobs within the classification system
- A variable pay system that will determine additional compensation in the form of incentives to be granted to employees on the basis of performance. .

The steps needed to develop the above-mentioned deliverables are detailed in the following pages:

#### Phase I. Project Planning and Kick-Off

**Objective:** It is important that a project of this magnitude is properly managed – that all participants understand their role and responsibilities. Key potential issues and challenges must be anticipated and planned for. The specific details are planned out so that they can be systematically managed and controlled.

**Approach:** This phase involves a series of project planning meetings between TW and GCG to establish project parameters and define objectives, expectations, team structure, responsibilities and deliverables. One of the critical tasks will be to review the initial project plans detailed in this proposal. Where necessary, further detailing and breakdown of the project plans will be done. A working calendar of activities and milestones (e.g., Project Gantt Chart) is a targeted output of this phase. Project protocols will also be defined.

Upon finalization of the above, the highlights will be cascaded in a plenary session that will include representatives of each GOCC in order to set expectations and promote understanding and buy-in of the project.

#### Activities and Responsibilities:

Key Activities	Responsibilities	
	TW	GCG
<ul style="list-style-type: none"> <li>Conduct a project planning meeting with GCG to: <ul style="list-style-type: none"> <li>Discuss the detailed work plan, including project scope and timeline</li> <li>Finalize project team composition for both TW and GCG, including team structure, roles and responsibilities</li> <li>Select benchmark GOCC's for diagnostic purposes</li> <li>Set communication protocols</li> <li>Determine change of project scope procedures</li> <li>Determine the approval process for each deliverable</li> <li>Discuss documents required for the diagnostics phase</li> <li>Confirm resources and access to information</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Draft work plan</li> <li>Document agreements post project planning meeting/s</li> </ul>	<ul style="list-style-type: none"> <li>Provide requested documents and data</li> <li>Obtain Sign-off agreements</li> </ul>
<ul style="list-style-type: none"> <li>Conduct a kick-off session (Seven 2-hour sessions) with GCG and GOCC representatives in order to: <ul style="list-style-type: none"> <li>Cascade the highlights of the plan</li> <li>Set expectations of the GOCCs</li> <li>Promote understanding and buy-in of the project's objectives and design</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Prepare presentation materials for the kick-off session</li> <li>Provide calendar/ schedule of sessions</li> <li>Conduct the kick-off session</li> <li>Document session proceedings</li> <li>Incorporate, consolidate suggested updates, if any, and finalize work plan</li> </ul>	<ul style="list-style-type: none"> <li>Invite and confirm attendance of GOCC representatives'</li> <li>Prepare attendance sheet during the session and monitor attendance</li> <li>Arrange for logistics of the session such as venue, equipment, meals, etc.</li> <li>Communicate session highlights to GOCCs unable to attend the kick-off meeting</li> </ul>

**Timing:** We anticipate that the activities in this phase can be completed within 3-4 weeks from project commencement.

**Deliverables:** The specific outcomes of this phase include the following:

- Project team structure with clear roles, accountabilities & norms
- Project Gantt chart showing specific activities, project milestones & target deliverables
- Kick-off session presentation materials and delivery thereof
- Resource plan (e.g., people & time involvement, budget estimates)

## Phase II. Diagnostics and Rewards Philosophy and Strategy Articulation

### A. Diagnostics

**Objective:** It is important that strategy and design are anchored on a correct understanding of the needs and requirements of the GOCC's and its people. Important high-impact decisions have to be based on sound assumptions. The diagnosis will focus on several aspects such as the current state of the GOCC's Reward policies, systems and practices (i.e., goals and objectives of compensation programs, degree of differentiation among employee groups, composition of focus group, target positioning objective, desired remuneration mix), and the sentiments, needs and aspirations of key stakeholders of how the rewards system may be maximized to drive employee performance. A structured and systematic diagnosis will provide the Commission with a valid and sufficient basis for deciding on the best course of action.

This phase will allow TW and GCG to further fine-tune the project plan in order to best meet the GOCCs' or GOCC's sector needs, and to allow for greater efficiency and relevance during the actual project implementation.

**Approach:** TW will employ a number of methods to understand GOCC's Rewards systems and employee needs. The following research, diagnostic and assessment activities may happen in parallel.

1. **Conduct diagnostic survey:** We will conduct a review of all existing rewards programs, practices and systems. TW will provide a survey questionnaire to be accomplished by all GOCC's. The result will provide information on the prevalence and effectiveness of the rewards programs. This review will include the following:
  - GOCC's mission, vision, culture and current compensation philosophy. This information would enable us to identify the key components of the business strategy and culture that the reward strategy is expected to support. This would provide philosophy and the design rationale on competitive positioning, pay equity, pay administration and degree of performance orientation.
  - Current compensation practices related to the basis and patterns of salary increases, and variable incentives
  - Job classification methodology
  - Salary structure
  - Benefits information (benefit items and entitlements)
  - Variable pay plan document/information
  - Information on employee turnover, any information (informal or formal) about exit interviews, employees' feedback
  - Current performance appraisal process, forms and procedures
  - Organization structure and work design
2. **Conduct best-practice research.** TW will use its internal resources, such as Talent Management and Rewards studies, Total Rewards Survey and our global consulting experience database – to identify practices that can serve as a benchmark or comparison for GOCC's. Available published data as may be obtained from web research will likewise be collated. TW will provide the external perspective on alternative approaches and solutions that the GOCC sectors might consider in developing their own reward programs.
3. **Conduct Executive interviews:** The key proponents for establishing GCG including the President of the Philippines, Budget Secretary, Principal author of Republic Act 10149 and GOCC Secretary will be interviewed. The interviews aim to seek their views on the business directions of GOCC's as well as people implications and issues. These interviews are critical in providing the context, history and assessment of what is working well and what is not, and to obtain their aspirations and objectives for this project. The alignment of Reward practices with the business/es will be explored during these interviews.

4. **Facilitate Focus Group Discussions (FGD's):** To obtain a better understanding of the rewards programs at GOCC's, focus group discussions will be held. These sessions are group interviews and will be organized with the GOCC representatives. .

### Activities and Responsibilities

Key Activities	Responsibilities	
	TW	GCG
• Conduct diagnostic survey ,	<ul style="list-style-type: none"> <li>• Develop survey questionnaire</li> <li>• Provide GCG regular status update/s on submission for follow-up</li> <li>• Collate and analyze data</li> </ul>	<ul style="list-style-type: none"> <li>• Distribute and administer, survey questionnaire to all GOCC's</li> <li>• Follow- up and ensure timely submission of completed survey questionnaire of all GOCC's to TW</li> </ul>
• Conduct best practice research	<ul style="list-style-type: none"> <li>• Conduct best practice research by tapping other TW studies and researches and global consulting experiences as well as other available sources of information (e.g. publications)</li> <li>• Conduct web research</li> </ul>	
• Conduct executive interviews (Four 2-hour interviews)	<ul style="list-style-type: none"> <li>• Prepare interview guide</li> <li>• Provide calendar of interview schedule</li> <li>• Conduct interviews</li> <li>• Prepare interview notes</li> <li>• Consolidate and analyze interview results</li> </ul>	<ul style="list-style-type: none"> <li>• Identify interviewees</li> <li>• Schedule and confirm interviews</li> </ul>
• Facilitate FGDs (Two 4-hour sessions)	<ul style="list-style-type: none"> <li>• Prepare FGD guide</li> <li>• Provide calendar of FGD schedule</li> <li>• Facilitate FGDs</li> <li>• Prepare FGD notes</li> <li>• Consolidate and analyze discussion results</li> </ul>	<ul style="list-style-type: none"> <li>• Identify participants</li> <li>• Provide participants' list to TW per session</li> <li>• Schedule and confirm attendance to FGDs</li> <li>• Prepare attendance sheets</li> <li>• Arrange for logistics of the session such as venue, equipment, meals, etc.</li> </ul>

**Timing:** Several diagnostic processes will be carried out as detailed below, with the whole phase spanning 4-6 weeks. The objective of this phase is to gather sufficient information to establish guiding principles in the formulation of a rewards philosophy and strategy. The estimates for each diagnostic process are:

- Diagnostic survey will span the first 4 weeks of this phase.
- Best practice research will simultaneously be done with the internal data gathering – approximately 4 weeks.
- Executive interviews – 4 two-hour interviews can be scheduled within the first 3 weeks
- Focus group discussions – a 6 four hour sessions can be completed in 4 weeks.
- Analysis and assessment will be completed within 6 weeks from the start of the phase.

**Deliverables:**

- General design guidelines and or system parameters integrating management direction and expectations
- Current state assessment: Identification of strengths, gaps and change opportunities

**B. Rewards Philosophy and Strategy Articulation**

**Objective:** This phase will lead up to a very important milestone – the definition of GOCC's Reward Philosophy and Strategy. Building a true and sustainable high-performance culture is critical to the GOCC's long-term growth and competitiveness. A new direction must be defined and willfully implemented.

The Reward Philosophy and Strategy of GOCCs is an integral part of its intent to align rewards with performance. It will clearly define how performance and desired behaviors will be recognized and how critical talent will be motivated and rewarded. It will be the guiding principle for designing pay programs and systems. It will articulate GOCC's philosophy on how it will engage its employees. As such it is both a policy as well as a mindset for the future.

**Approach:** Using the information from the preceding Diagnostic phase as the starting point, the reward philosophy and strategy will be formulated, fine-tuned and eventually agreed on, through a process of discussion and consultation. Towers Watson will apply its vast experience in strategy formulation to stimulate thinking, challenge assumptions and recommend solutions. The discussion will be in the form of a facilitated workshop that will present key diagnostic findings, best practice research, identification of strengths and gaps.

In this workshop, a clear direction for each element of reward strategy rewards will be established. It will also outline the specific parameters governing the design of different reward programs, such as:

- Frame of Reference for "Equity"— should we have common salary structure per sector? Per grade level? Should these be different by function? Should the GOCCs differentiate on the basis of performance or function or both?
- Mix of Pay—what portion of total compensation should be delivered in the form of fixed (base pay) and what portion in variable performance-based pay?
- Salary Progression – Should the salary progression be based on performance and years of experience or acquisition of skills and competencies or both?
- Level of External Competitiveness —How competitive should the company be on fixed pay? On total cash?

Post the agreement and sign off of reward strategy by key stakeholders, a series of sessions will be conducted to cascade and localize strategy among the different GOCC sectors. The intent of the session is to interpret the reward strategy as it applies to the different situation of the sectors.

It is possible that the reward strategy may be further enhanced upon the completion of the cascade and localization sessions. A final presentation to key stakeholders will be conducted to seek final directions to proceed with the job classification, base salary structure and variable pay design.

### Elements of Rewards Strategy



The framework will outline the different programs and approaches (i.e. job classification, market positioning, salary ranges, pay administration) that the GOCCs will employ and the right mix of reward systems (i.e. basic and variable pay).

### Activities and Responsibilities

Key Activities	Responsibilities	
	TW	GCG
<ul style="list-style-type: none"> <li>Conduct rewards philosophy and strategy workshop with GCG Project Team</li> </ul>	<ul style="list-style-type: none"> <li>Utilizing information from the diagnostics phase, develop workshop materials</li> <li>Schedule the workshop</li> <li>Facilitate workshop</li> <li>Collate and analyze workshop results</li> </ul>	<ul style="list-style-type: none"> <li>Provide participants' list to TW per session</li> <li>Schedule and confirm attendance to workshops</li> <li>Prepare attendance sheets</li> <li>Arrange for logistics of the session such as venue, equipment, meals, etc.</li> <li>Attend and provide inputs during workshop</li> </ul>
<ul style="list-style-type: none"> <li>Present and sign off of reward philosophy and strategy</li> </ul>	<ul style="list-style-type: none"> <li>Develop a GOCCs reward philosophy and strategy</li> <li>Prepare presentation materials</li> <li>Schedule the presentation</li> <li>Deliver presentation</li> </ul>	<ul style="list-style-type: none"> <li>Provide inputs on the recommended reward philosophy and strategy</li> <li>Identify, invite and confirm main approvers' attendance to the presentation</li> </ul>
<ul style="list-style-type: none"> <li>Cascade/localization of reward strategy per sector (with GOCC representatives)</li> </ul>	<ul style="list-style-type: none"> <li>Prepare presentation materials</li> <li>Provide calendar/schedule of cascade sessions</li> <li>Identify/plan logistical requirements</li> <li>Conduct sessions</li> <li>Document consolidate session notes</li> </ul>	<ul style="list-style-type: none"> <li>Review presentation materials</li> <li>Identify participants</li> <li>Schedule and confirm attendance</li> <li>Arrange for logistics of the session such as venue, equipment, meals, etc.</li> </ul>

Key Activities	Responsibilities
<ul style="list-style-type: none"> <li>• Present results of localization sessions for approval</li> </ul>	<ul style="list-style-type: none"> <li>• Develop sector-specific rewards philosophy and strategy, if applicable</li> <li>• Prepare presentation materials</li> <li>• Schedule presentation</li> <li>• Document comments and feedback</li> </ul>

**Timing:** The series of facilitated strategy sessions, consultations and presentations, including the analysis and design work that are conducted before and after these sessions, will approximately run for 4 to 6 weeks.

**Deliverables:** The integrated output will generally have the following key components. Note that a general umbrella philosophy and strategy will be applied to for all GOCC's and sector-specific interpretations, where applicable, will likewise be articulated:

- The reward philosophy (what the organization recognizes, values and believes in)
- The reward strategy (how it will reward and recognize). It will typically specify the mix of different components that make up the reward elements.

### Phase III. Job Leveling/Classification

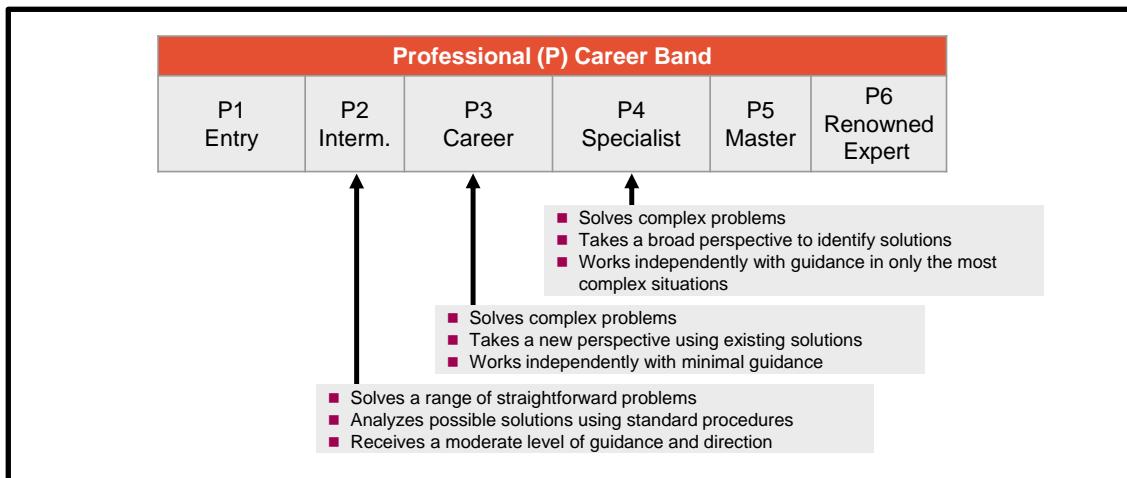
**Objective:** The fundamental concern of both management and employees is to provide pay that is commensurate to the value of the job. It is therefore important to establish the most fundamental component of reward – the job leveling/classification process. All jobs in the company are systematically assessed and evaluated to determine the relative importance and value to the company. This evaluation, expressed in the form of levels or grades becomes the basis for hiring, promoting, and ultimately, rewarding the jobholder. This job leveling/classification system allows the company to easily determine the relative worth of the job internally (against other jobs in the company) and externally (against other similar jobs in other companies).

**Approach:** As a prerequisite to any job leveling/classification exercise, updated organization structure, inventory of jobs and job descriptions (JDs) of the Company are needed. This information is used as the basis for assessing job content, which is essential for establishing the leveling system. GOCCs will ensure that the information required is available during the scheduled workshop/s. In lieu of job descriptions, GOCCs must identify personnel or project participants who are knowledgeable and can very well explain the content of jobs that will be evaluated.

Given the requirements of GCG, an integrated leveling methodology used in Towers Watson's surveys will be used to ensure a consistent link of all jobs covered in this exercise to similarly-valued jobs in the market. It is an integrated process combining elements from each of TW's two proprietary leveling methodologies: Career Map and the Global Grading System (GGS). The combination yields a unique and systematic approach to leveling jobs that encompasses the concept of career progression through career levels with differentiated job size as determined by Global Grades.

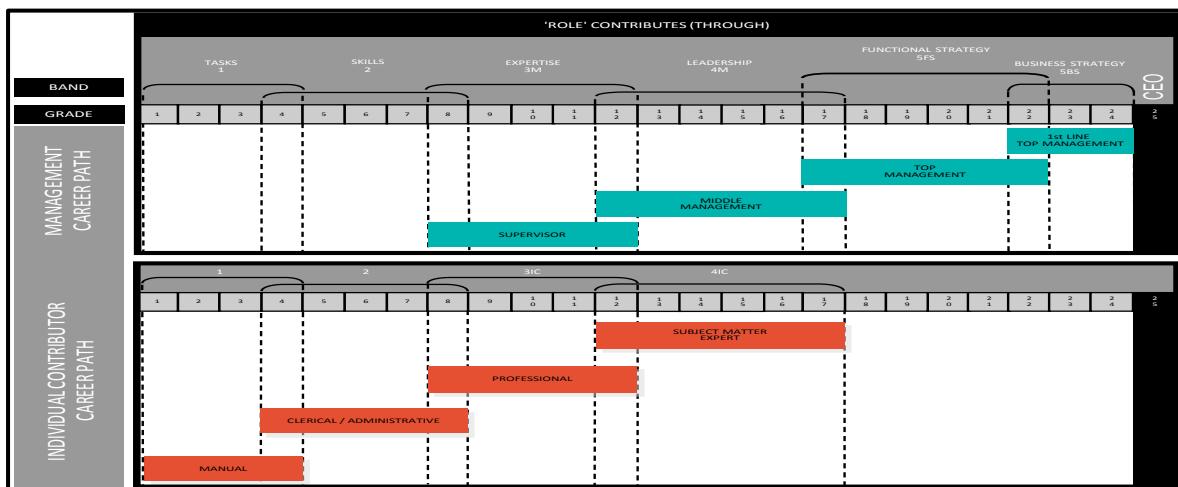
- **Career Map** – The Towers Watson Career Level Methodology is based on a series of Career Bands, each with a number of distinct career levels. Career bands enable companies to structure work and jobs based on progressive levels of expected contribution. Career Levels represent discernible broad steps in a career progression, which are consistent across organizations. They reflect the normal market progression of jobs requiring higher levels of competence and knowledge as people advance in their careers.

Illustration: Sample Career Band

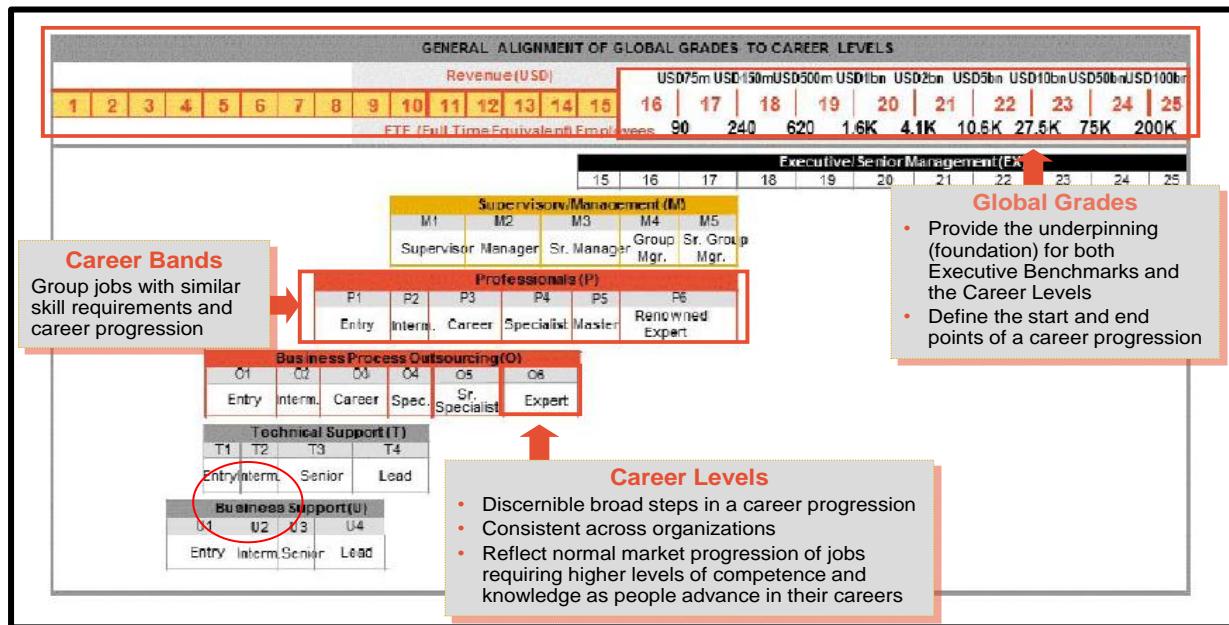


- **Global Grading System** – The Towers Watson Global Grading System (GGS) measures the relative internal value of distinct jobs within a company according to specific dimensions and aligns those values with quantifiable differences in pay levels in the external market place. Global Grades, which are linked to organization size, reflect the impact of size on job scope at higher levels, thus enhancing data comparability across organizations of varied size. Global Grades create a single top-to-bottom framework to facilitate leveling and drive consistency across Career Bands, Functions and Disciplines. They provide the foundation, or underpinning, for both Executive Benchmarks and the broad-based Career Levels and define the start and end points of a career progression.

Illustration: Global Grading System Dual Career Track



### Illustration: Integrated Job Leveling



### Job Leveling/Classification Process

A series of discussion meetings and workshops will be conducted with GCG project team and GOCC representatives to carry out this phase of the project.

Step 1: Localize Global Grading and Classification System terminology to suit the requirements of GOCCs.

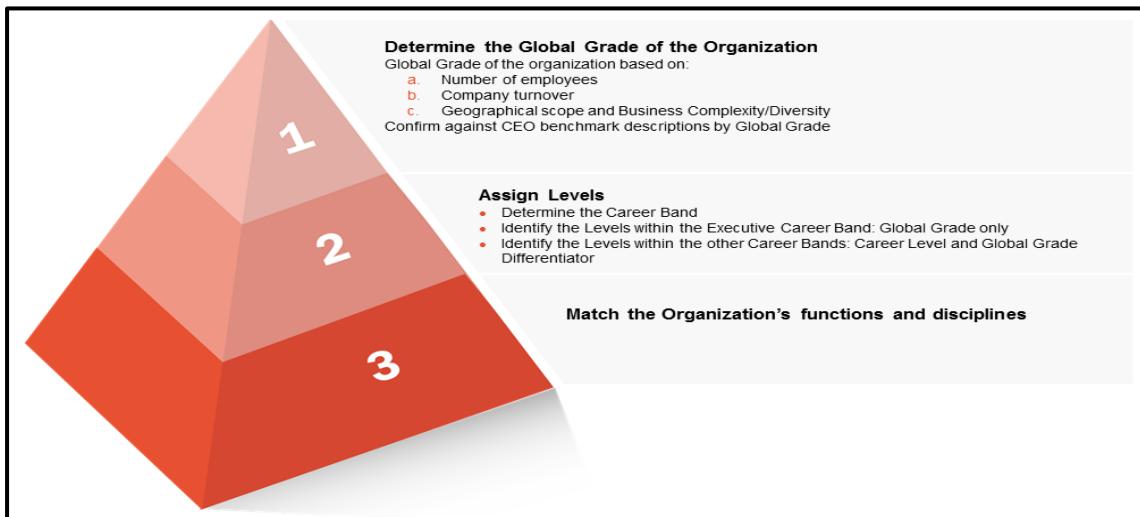
Step 2: Determine the Global Grade of the Organization (also the President/CEO or Business Unit Head). An evaluation questionnaire will be provided by Towers Watson to all GOCC's. TW will then evaluate the Global Grade of each company using the accomplished questionnaire. The questionnaire will include the criteria for scoping the business (i.e. revenue, headcount, complexity and diversity, geographical scope, etc.)

Step 3: Align and match company levels to new job leveling/classification system:

- Identify Global Grades of executive jobs
- Identify Career Bands of non-executive jobs
- Align Career Levels and Global Grades to internal structure
- Identify Career Bands, Career Levels and Global Grades of non-executive jobs
- Review the Career Levels and Global Grades for cross-functional consistency

Step 4: Identify appropriate functions and disciplines code.

### Illustration: Job Leveling/Classification Process



### Activities and Responsibilities

Key Activities	Responsibilities	
	TW	GCG
<ul style="list-style-type: none"> <li>Inventory jobs for leveling and classification for all GOCCs including any form of job documentation for each job (i.e. job description; job assignment memo, organization charts) that contains roles and responsibilities of the jobs</li> </ul>	<ul style="list-style-type: none"> <li>Provide GCG communication template for memo preparation</li> <li>Provide data requirements checklist</li> <li>Provide GCG status update on submission</li> </ul>	<ul style="list-style-type: none"> <li>Send memo to all GOCC's to submit list of all jobs for leveling/classification</li> <li>Follow-up and ensure submission of documents by GOCCs</li> </ul>
<ul style="list-style-type: none"> <li>Localize Global Grading System terminology for GOCC's through a workshop with GCG project team</li> </ul>	<ul style="list-style-type: none"> <li>Prepare workshop materials</li> <li>Schedule session</li> <li>Conduct workshop with GCG project team</li> <li>Document session output</li> </ul>	<ul style="list-style-type: none"> <li>Coordinate attendance and confirm GCG project team members</li> <li>Participate in the session</li> </ul>
<ul style="list-style-type: none"> <li>Business Unit (BU) Scoping using the Global Grading System of all GOCCs</li> </ul>	<ul style="list-style-type: none"> <li>Develop evaluation questionnaire for GOCCs</li> <li>Provide GCG regular status update/s on submission for follow-up</li> <li>Collate, analyze , evaluate submitted data</li> <li>Document and consolidation of results</li> </ul>	<ul style="list-style-type: none"> <li>Distribute and administer survey questionnaire to all GOCC's</li> <li>Follow- up and ensure timely submission of completed evaluation questionnaire of all GOCC's to Towers Watson</li> </ul>
<ul style="list-style-type: none"> <li>Present and validate BU scoping results to GCG project team and GOCC sector representatives</li> </ul>	<ul style="list-style-type: none"> <li>Develop presentation materials</li> <li>Schedule presentation</li> <li>Document session notes</li> </ul>	<ul style="list-style-type: none"> <li>Identify participants</li> <li>Provide participants' list to TW per session</li> <li>Schedule and confirm attendance to sessions</li> <li>Prepare attendance sheets</li> <li>Arrange for logistics of the</li> </ul>

Key Activities	Responsibilities	
<ul style="list-style-type: none"> <li>Cascade/orientation of job leveling/classification methodology</li> </ul>	<ul style="list-style-type: none"> <li>Develop workshop materials</li> <li>Provide calendar/schedule of sessions</li> <li>Facilitate job classification sessions</li> <li>Document job leveling/classification session results</li> </ul>	<ul style="list-style-type: none"> <li>Identify participants</li> <li>Provide participants' list to TW per session</li> <li>Schedule and confirm attendance to sessions</li> <li>Prepare attendance sheets</li> <li>Arrange for logistics of the session such as venue, equipment, meals, etc.</li> </ul>
<ul style="list-style-type: none"> <li>Present/Sign off of job leveling/classification results to GCG project team and main approver</li> </ul>	<ul style="list-style-type: none"> <li>Develop presentation materials</li> <li>Schedule of presentation</li> <li>Document comments/feedback</li> </ul>	<ul style="list-style-type: none"> <li>Provide inputs on the recommended job leveling/classification results</li> <li>Identify, invite and confirm main approvers' attendance to the presentation</li> </ul>

**Timing:** The series of facilitated localization and job leveling/classification sessions including BU scoping and evaluation, analysis, consultations and presentations will approximately run for 14 to 16 weeks.

**Deliverables:**

- Career Level and Global Grades, Function and Discipline for all jobs covered in the study
- Job classification chart, showing career levels and global grades of jobs per sector
- Oriented job leveling representative in each GOCC for on-going implementation

**Data requirements from GOCCs:**

- Organization charts (including functional charts, if available)
- Job documentation (i.e. job descriptions/job assignments or summaries, if available)
- Current job classification system, with documentation
- Revenue and headcount data per organization for business scoping / sizing
- Description of business – its objectives/purpose,

#### Phase IV. Market Data Purchase and/or Extract and Competitive Analysis

**Objective:** The subsequent base salary structure and variable pay design (described in the following phases) will heavily rely on sound and updated market pay data. While the preceding job leveling/classification exercise focused on establishing the internal relative worth of jobs, the competitive analysis phase through market benchmarking will provide the external relative comparison. This exercise will allow GOCCs to realistically assess its competitive position vis-à-vis the external market in terms of cash compensation and provide market-based recommendations in the development of base salary structures and variable pay programs. The analysis will be carried out per sector.

It is also at this stage where actual employee salary information from all GOCCs will be collected for the analysis.

## A. Market Data Purchase and/or Extract

### **Approach:**

Based on the guiding principles developed in the rewards philosophy articulation stage, GCG will select a set of comparator companies for each sector. GCG and Towers Watson will gather the needed market data from the possible sources as listed below. Reasonable estimates for pay movements will be applied to the salary information, where applicable, to provide the most updated estimates of current pay rates as well as to align the various salaries to a specified reference date.

### **Options for Data Sources:**

#### ***Source 1: Obtain market data by tapping into TW's database***

The 2011 General Industry Total Reward Survey (TRS) – Philippines consists of detailed compensation information submitted by two hundred forty-six (246) companies in the general industry. The participants come from various industries such as Consumer/Manufacturing, Hi Tech & Telecommunications, BPO Call Center, Pharmaceutical, Banking & Financial Institutions & others.

Please see the Appendix for the list of 2011 General Industry Total Reward Survey – Philippines participant companies.

#### ***Source 2: Obtain data by purchasing from other service providers***

Sectors and companies not included in Towers Watson's TRS may be requested from other service providers. The GCG Commission will be responsible for the purchase of non-Towers Watson data.

#### ***Source 3: Obtain data from government agencies and other institutions***

Salary data and indices may also be retrieved from government agencies and other institutions such as the Employers' Confederation of the Philippines (ECOP).

Because of the limitations imposed on the project duration, conducting a custom survey for each sector is not feasible.

## B. Competitive Review

**Approach:** Having the information from the steps above, Towers Watson will then proceed with preparing the competitive analyses per sector. The report will present market statistics for cash compensation as well as prevalent pay practices. These exhibits will highlight areas of strength and weakness of each sector.

Cash components will be defined as follows:

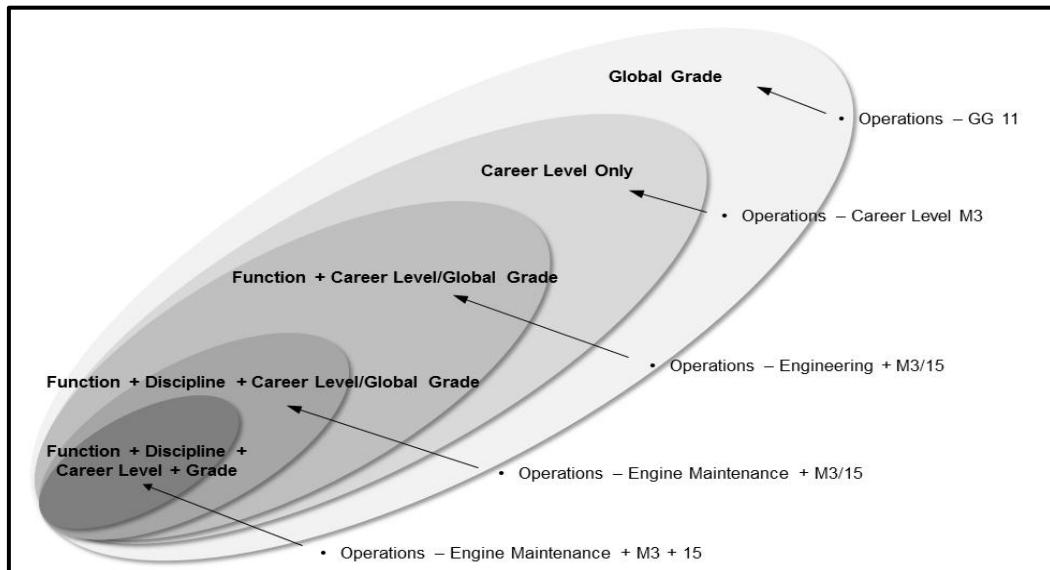
- Annual base salary – monthly salary x 12
- Basic guaranteed compensation – annual base salary PLUS fixed and guaranteed bonuses
- Total guaranteed compensation – basic guaranteed compensation PLUS fixed allowances
- Total cash compensation – total guaranteed compensation PLUS variable bonuses

Below are the parameters for the data analysis:

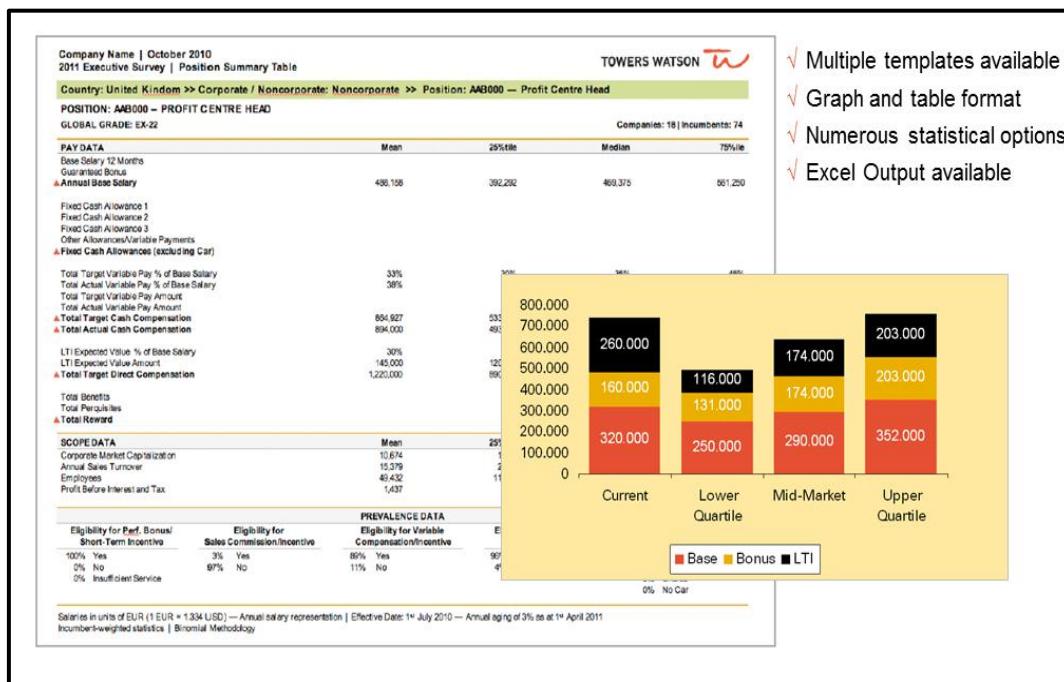
1. Confidentiality: To maintain strict confidentiality, **no individual company data will be presented**. In addition, results are presented only for the job combinations according to various career level, global grade, function and discipline, for which there are at least three (3) companies reporting data, and the statistics are limited to the following:

- 10th, 25th, 50th, 75th, and 90th percentiles and average for at least ten (10) incumbents reporting data
  - 25th, 50th, and 75th percentiles and average for at least six (6) incumbents reporting data
  - 50th percentile and average for at least three (3) incumbents reporting data
2. Currency: Unless otherwise specified, the monetary currency to be used is Philippine Peso (Php)
  3. Reference date: An agreed upon reference date for the salary data will be used.

### Illustration: Sample Data Cut



### Illustration: Sample Competitive Report



Benefits will likewise be reviewed. Towers Watson will conduct a review of the National benefits as specified in the Civil Service Laws and Regulations, proposed GCG benefits vis-à-vis the market. GCG project team will then carry out the collection and tabulation of the benefits of all GOCCs and the market. TW will provide the template and market information on benefits.

## Activities and Responsibilities

Key Activities	Responsibilities	
	TW	GCG
• Collect actual employee salary information from all GOCCs	<ul style="list-style-type: none"> <li>• Prepare employee data collection toolkit</li> <li>• Provide GCG communication template</li> <li>• Provide GCG regular status update/s on submission for follow-up</li> <li>• Review, validate data submission</li> </ul>	<ul style="list-style-type: none"> <li>• Distribute, administer, data collection toolkit to all GOCC's</li> <li>• Follow-up and ensure timely submission of employee salary information of all GOCC's to Towers Watson</li> </ul>
• Obtain market data for benchmarking	<ul style="list-style-type: none"> <li>• Extract data from TW's database</li> <li>• Gather data from agreed upon sources</li> <li>• Analyze data obtained including benchmarking exercise to map GOCC jobs with market data</li> </ul>	<ul style="list-style-type: none"> <li>• Purchase data from non-TW sources (cost of data from other sources included in project fees)</li> </ul>
• Perform competitive analysis	<ul style="list-style-type: none"> <li>• Conduct competitive analysis calculations for cash</li> <li>• Conduct review of benefits (National, GCG proposed benefits and Market)</li> <li>• Provide benefits collection kit and template to GCG project team</li> <li>• Prepare competitive review report</li> </ul>	<ul style="list-style-type: none"> <li>• Collect benefits information from all GOCCs</li> <li>• Tabulate benefits of all GOCCs and market benefits information provided by TW.</li> </ul>
• Present competitive review results	<ul style="list-style-type: none"> <li>• Develop presentation materials</li> <li>• Provide calendar/schedule of presentation</li> <li>• Documentation of presentation comments/ feedback</li> </ul>	<ul style="list-style-type: none"> <li>• Provide inputs and assess soundness of competitive review results</li> <li>• Identification, invitation and confirmation of main approvers' attendance</li> </ul>

**Timing:** The collection of actual employee salary information, market data collection and competitive analysis will approximately run for 18 weeks. The timing assumes that salary information from GOCCs will be submitted within the timeframe allocated for the activity.

- Collection of actual employee salary information and market data purchase/extract – 8 weeks
- Competitive analysis – 6 weeks
- Report preparation and presentation – 4 weeks

### Deliverables:

- Market competitiveness analysis report
- Presentation of highlights of market competitiveness report
- Recommendations on salary structure parameters and framework

## Phase V. Base Salary Structure Design

**Objective:** The base pay structure defines the detailed limits of pay that a company is able and willing to pay for different levels and categories of jobs. In the preceding job leveling/classification phase, different jobs are categorized into their relative job levels. The base pay structure further defines this value by specifying the range of pay (generally from minimum, to midpoint to maximum) in relation to market that the company will pay jobs and jobholders in each of the levels and ranges. A base pay structure is critical in ensuring fairness, internal equity and line of sight between job value, individual value and reward. The base pay structure is more than just

a guiding range for pay determination. It also includes the mechanisms for reviewing and determining pay. It is the fundamental tool for effectively managing the compensation of employees relative to their contribution and capability.

To achieve the intent of GCG to align the GOCCs' compensation practices with the market, it is important to have a systematic, transparent and consistent process for determining and managing pay in a fair, equitable and sustainable manner. The effective use of the base pay structure demonstrates GOCCs' commitment to rewarding its employees based on performance.

**Approach:** The design of the base pay structure is generally a highly technical process that will be driven largely by the Towers Watson compensation consultants. However, an orientation will be included during the presentation of results to help key stakeholders and GCG project team to make better-informed decisions about the approach, recommended action and implications that the consultants will present.

Step1. Develop base salary structure –

Utilizing the information obtained from the rewards strategy articulation including the number of salary structures to be developed (project assumes maximum of 7 salary structures), job classification, data collection and competitive analysis phases, we will proceed to develop a set of pay ranges for the different sectors identified. The pay ranges that will be developed will be anchored on market data obtained from the data collection phase and findings from the competitive analysis. Statistical techniques such as regression analyses will be utilized as needed in establishing the recommendations.

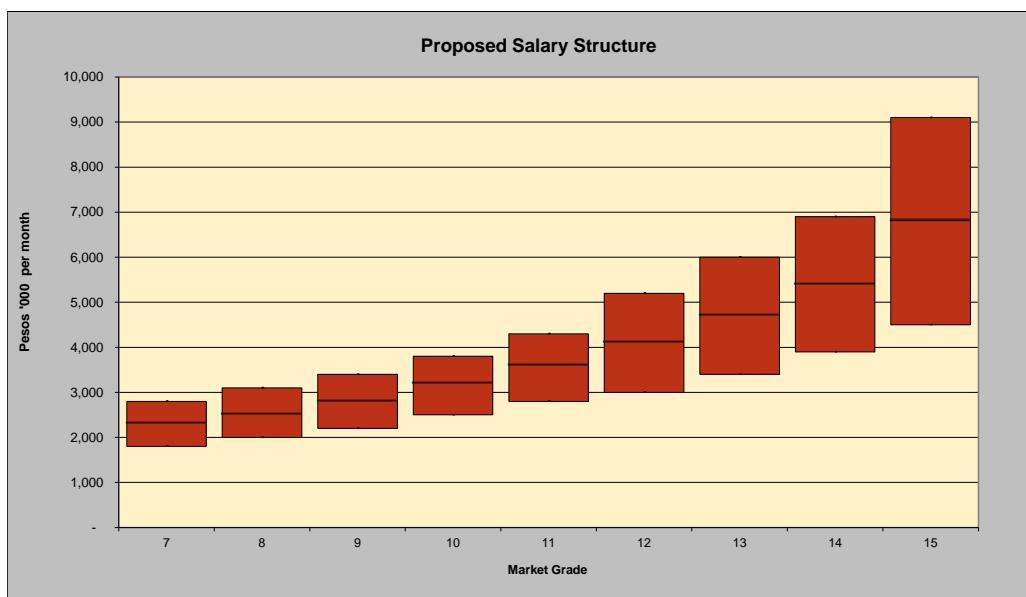
Step 2: Test, revise and get GCG/Key Stakeholders agreement-

The proposed base salary structure will be tested for its financial and business implications. The design and its implications will be reviewed against the total reward strategy, and specifically, against the specification of the total pay mix and market positioning. A refinement or revision in either the total pay mix and market positioning policies, or the actual pay ranges may be necessary at this point.

Step 3:

Develop pay management/review guidelines - Towers Watson will map out general transition process for shifting from the prevailing practices to the new scheme of how pay should be reviewed, defined and implemented. A reference manual will be developed to provide broad guidelines and procedures to enable implementation of the new structure.

#### Illustration: Sample Salary Structure



### Activities and Responsibilities

Key Activities	Responsibilities	
	TW	GCG
<ul style="list-style-type: none"> <li>Develop base salary structure per sector</li> </ul>	<ul style="list-style-type: none"> <li>Develop base salary structures</li> <li>Test and revise base salary structures</li> <li>Develop reference manual (including implementation guidelines)</li> </ul>	
<ul style="list-style-type: none"> <li>Present/Sign off of base salary structures to GCG project team and main approver</li> </ul>	<ul style="list-style-type: none"> <li>Develop presentation materials</li> <li>Schedule of presentation</li> <li>Document comments/ feedback</li> </ul>	<ul style="list-style-type: none"> <li>Provide inputs on the base salary structures</li> <li>Identify, invite and confirm main approvers' attendance to the presentation</li> </ul>

**Timing:** The development of base salary structure including the testing/refinement as well as the development of reference manual will approximately run for 8 weeks. The project assumes maximum of 2 revisions per sector and 2 presentations of results.

**Deliverables:**

- Base salary structure per sector
- Reference manual with broad implementation guidelines

### Phase VI. Variable Pay Design

**Objective:** A well-designed and well-implemented variable pay plan that is tightly linked to specific results and desired behaviors sends a very strong message about what really matters to the business. GOCCs have put in place a Performance Evaluation System under RA No. 10149. The objective is to develop a framework for a performance-based reward that will support and strengthen GOCCs focus on performance.

We understand that the profit-making nature of the various GOCCs vary, it is then our recommendation that two (2) conceptual frameworks be developed; one for profit-making organizations and another for non-profit making organizations.

**Approach:** This phase will have the following steps:

Step 1: Develop variable pay framework and design -

Based on the diagnostic findings, articulated rewards philosophy and strategy and competitive analysis results, a conceptual framework for variable pay will be developed.

### Step 2: Modeling calculations -

Similar to the base salary structure development, modeling calculations will be conducted to determine the cost implications of the proposed approach. This may take several iterations until the desired level of competitiveness and costing is achieved.

Additional information needed for this study are existing variable pay plan (if any), actual pay information including target and actual variable pay earned by employees as well as the performance rating scores being used to assess individual performance and company metrics being used to determine business performance (if any). The additional information will come from the GOCCs.

### Step 3: Presentation to key stakeholders –

Upon approval of the variable pay framework, general implementation guidelines will be defined to form part of the reference manual.

### **Activities and Responsibilities**

Key Activities	Responsibilities	
	TW	GCG
• Develop variable pay framework and plan	<ul style="list-style-type: none"> <li>• Conduct analysis of information/data gathered</li> <li>• Develop variable pay framework/plan</li> <li>• Test and revise the framework</li> <li>• Develop reference manual (including implementation guidelines)</li> </ul>	
• Present/Sign off of variable pay framework to GCG project team and main approver	<ul style="list-style-type: none"> <li>• Develop presentation materials</li> <li>• Schedule of presentation</li> <li>• Document comments/ feedback</li> </ul>	<ul style="list-style-type: none"> <li>• Provide inputs on the variable pay framework and design</li> <li>• Identify, invite and confirm main approvers' attendance to the presentation</li> </ul>

**Timing:** This phase will approximately run for 10 to 12 weeks. The project assumes maximum of 2 revisions and 2 presentations of results.

### **Deliverables:**

- Variable pay framework and plan
- Cost modeling of proposed plan(s).
- Reference manual including plan rules and broad implementation guidelines

## Phase VII. Communication Planning

**Objective:** This phase will focus on the development the communication plan aimed at:

- Promoting transparency and appreciation in the development of the job classification system and compensation levels
- Developing key messages for various stakeholders to ensure a positive impact of change to employee morale through the transition
- Facilitating the cascade of the communication plan to key stakeholders

**Approach:** The following processes and activities are defined to ensure understanding and gradual acceptance of the new Compensation and Position Classification System.

### ***Development of overall communication plan***

The overall communication plan is designed to enable leaders and managers in the rollout of the new organization and communicate to employees an integrated message that is simple to understand, builds trust and, drives action when it is needed. This will be at the core of a holistic communication plan including audience segmentation, key messaging and media planning.

Thus, optimizing an effective communication plan will promote:

- The new compensation philosophy and the wider employment deal — defining the organization's expectations for employee performance and what employees can expect in return
- Employee understanding of the tangible and intangible aspects of compensation philosophy and pay structure
- Alignment with the business and establishing a platform for maintaining a strong employment brand
- Mutual understanding and ownership by key stakeholders throughout the organization

### ***Development of guidelines and toolkits for different stakeholders***

Subsequently, guidelines and toolkits for different stakeholders will be prepared by Towers Watson which will include the following:

- Overall communication plan guidelines for the new systems and for GCG team
- Front line manager communication tool kits
- Employee communication tool kits and FAQs

The draft will be forwarded to the GCG commission for review and comments and apply revisions as deemed appropriate.

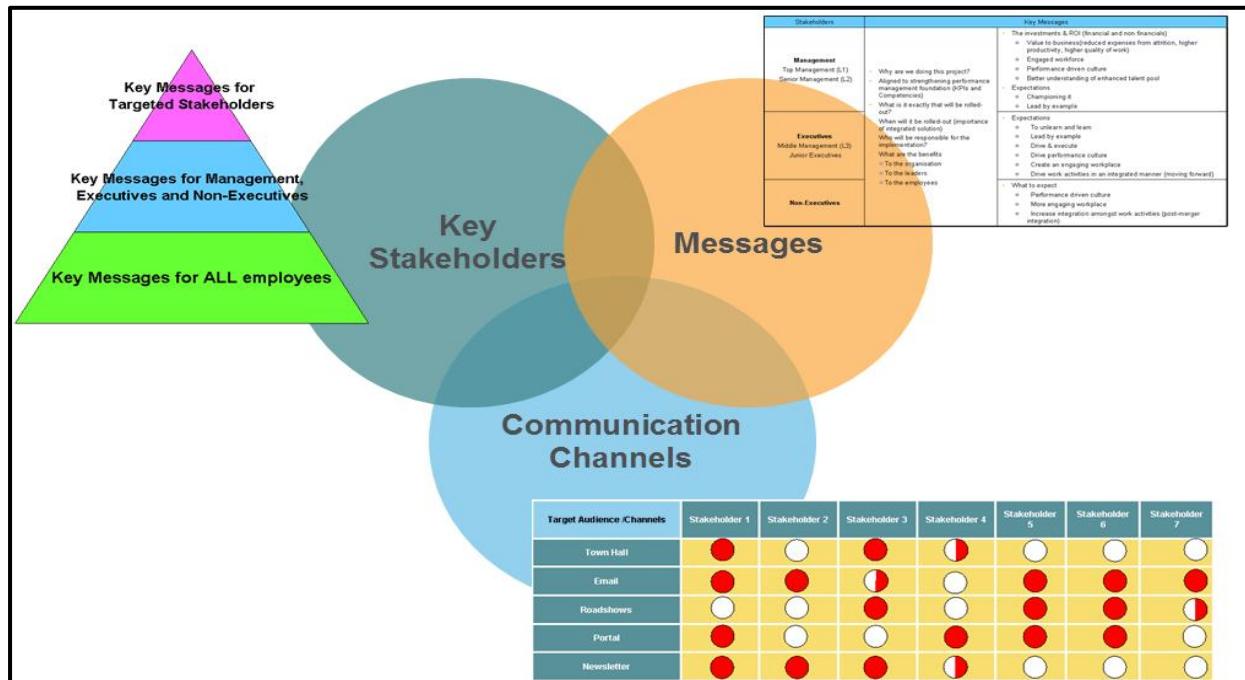
### ***Cascade of communication plan***

The GCG and TW will co-facilitate the cascade of the communication plan. The delivery options will include:

- Presentation of final communication plan to the GCG
- Train-the-trainer session with GOCC sector representatives
- Reference manual for each GOCC organization

The focused cascade via different channels will ensure that the right message is communicated to the right people through the right avenues.

### Illustration: Sample Transition and Communication Plan



### Activities and Responsibilities

Key Activities	Responsibilities	
	TW	GCG
• Develop overall communication and plan with the GCG project team	<ul style="list-style-type: none"> <li>Conduct analysis of information/data gathered</li> <li>Develop workshop materials</li> <li>Provide calendar/schedule of workshop</li> <li>Facilitate the workshop</li> <li>Document workshop notes</li> </ul>	<ul style="list-style-type: none"> <li>Identify participants</li> <li>Provide participants' list to TW per session</li> <li>Schedule and confirm attendance to sessions</li> <li>Prepare attendance sheets</li> <li>Arrange for logistics of the session such as venue, equipment, meals, etc.</li> </ul>
• Develop guidelines and toolkits for different stakeholders	<ul style="list-style-type: none"> <li>Develop communication plan and toolkits</li> <li>Provide GCG project team of drafts for review and comments</li> <li>Refine based on comments and feedback</li> </ul>	<ul style="list-style-type: none"> <li>Review and provide inputs/comments</li> <li>Submit consolidated comments to Towers Watson</li> </ul>
• Present/Sign off of transition strategy and communication plan to GCG project team and main approver	<ul style="list-style-type: none"> <li>Develop presentation materials</li> <li>Provide calendar/schedule of presentation</li> <li>Document comments/feedback</li> </ul>	<ul style="list-style-type: none"> <li>Provide inputs on the variable pay framework and design</li> <li>Identify, invite and confirm main approvers' attendance to the presentation</li> </ul>
• Cascade communication plan	<ul style="list-style-type: none"> <li>Develop train-the-trainer</li> </ul>	<ul style="list-style-type: none"> <li>Identify participants</li> </ul>

Key Activities	Responsibilities
	<ul style="list-style-type: none"> <li>materials</li> <li>• Prepare reference manuals</li> <li>• Provide calendar/schedule for training sessions (assumes 7 sessions)</li> <li>• Co-facilitate training sessions</li> <li>• Document notes and comments (to help further improve materials, add to FAQs)</li> </ul>

**Timing:** The development of communication plan including refinements, presentations and sign off of key stakeholders and completion of train-the-trainer sessions will approximately run for 20 weeks.

**Deliverables:**

- Overall communication plan and guidelines
- Front line manager communication tool kit
- Employee communication tool kit
- Train-the-trainer materials
- Train-the-trainer sessions
- User manual