



GCG MEMORANDUM CIRCULAR NO. 2015 – 04 (Re-Issued)

**SUBJECT : REORGANIZATION, RATIONALIZATION AND PERSONNEL
PLANNING IN THE GOCC SECTOR**

DATE : 02 MAY 2016

1. PURPOSE AND LEGAL AUTHORITY

This Memorandum Circular covers the public policy, guidelines and procedures followed by the Governance Commission pursuant to its mandate under Republic Act (R.A.) No. 10149 to actively exercise the State's ownership rights in GOCCs through the reorganization or streamlining of GOCCs¹ to ensure that their operations support national goals.² Corollary thereto, the exercise of the State's ownership rights must be balanced with the provision of *adequate* operational flexibility in light of the principle of "*Board Autonomy*" under Article 9-10 of the "*Ownership and Operations Manual for the GOCC Sector*".³

Towards this end, the Governance Commission shall ensure that:

- (a) The organizational structure and staffing of GOCCs are aligned with their strategy;
- (b) The organizational structure and practices embody the highest standards of corporate governance, particularly through effective decision-making processes;
- (c) The organizational structure and staffing of GOCCs embody industry best practices in organizational development and workforce planning to the extent that these are relevant to the GOCC's strategy and particular circumstances; and
- (d) GOCCs develop the capacity to review and restructure their organizational structure as a key lever to improving performance.

2. DEFINITION OF TERMS. –

- (a) "**Branch Staffing Model**" determines (i) the job grade of the Head of the Branch Manager and the Officer next-in-rank; and (ii) Personnel Services budget based on the required personnel based on appropriate parameters for the GOCC's operations (e.g. projected sales, population density, area).

¹ Sec. 5(a), R.A. No. 10149.

² See Art. 4.5., GCG MC No. 2012-06.

³ GCG Memorandum Circular No. 2012-06.

- (b) “**Career Bands**” refer to relative groupings of jobs to help determine the nature (i.e., either management or individual contributor) and assess the level of contribution of a particular role in the organization.
- (c) “**Career Levels**” are discernible broad steps in a Career Band that reflect progression of jobs requiring higher levels of competence and knowledge.
- (d) “**Job Grade (JG)**”⁴ is a numerical representation of the relative internal values of a job in a GOCC’s plantilla/staffing pattern, determined by using quantifiable factors to assess the minimum requirements to perform a job as defined in the job description. The JG will dictate the Monthly Basic Salary of the job based on the Salary Structure.
- (e) “**Reorganization or Rationalization**” refers to changes in the Organization Structure and Staffing Pattern geared towards improving the delivery of services and overall performance of the GOCC. For purposes of this Circular, no distinction is made between reorganization and rationalization.

3. **REORGANIZATION OR RATIONALIZATION PLAN (RP).** – Pursuant to the authority granted under Section 5(a)(6) of R.A. No. 10149, the Governance Commission shall approve changes in the Organizational Structure of all GOCCs covered by R.A. No. 10149 prior to their implementation. The GOCC shall submit for review and approval of the Governance Commission a Reorganization or Rationalization Plan (RP) embodying the proposed changes in the Organizational Structure.

3.1. **Approval Process.** – Applications for approval of the RP shall undergo the process prescribed by the Governance Commission, including:

- 3.1.1 Submission of the preliminary information required in the Citizen’s Charter on the GCG website;
- 3.1.2 Presentation of the RP to the Governance Commission;
- 3.1.3 Evaluation by the Technical Working Group (TWG) composed of representatives of the Governance Commission and the GOCC;
- 3.1.4 Discussion between the Governance Commission and the GOCC Governing Board of any issues not agreed upon at the TWG level; and
- 3.1.4 Issuance of Memorandum Order by the Governance Commission authorizing, or of a letter denying the implementation of the proposed Organizational Structure and Staffing Pattern (OSSP).

3.2. **Evaluation Criteria.** – The RP shall be evaluated on the basis of the following major criteria:

- 3.2.1. **Design Framework.** – The RP should demonstrate a clear link between the GOCC’s business strategy and proposed changes in the OSSP. It should identify the major criteria that guided the formulation of the plan. It should likewise identify success indicators

⁴ Also known as “Salary Grade” under the framework of the Salary Standardization Law (SSL).

of the Plan, the annual target for each indicator, and the units accountable for achieving the targets. The Governing Board shall take the lead in formulating the business strategy and the design framework, and shall be accountable for the RP.

3.2.2 **Design Process.** – In addition to a clear and sound framework, the RP shall include the following components to indicate that the GOCC adhered to a transparent and evidence-based process in formulating the RP:

- (a) **Current State Assessment.** – The GOCC shall conduct a current state assessment of the organization and submit a final report duly approved by the Governing Board to the Governance Commission.
- (b) **Governance Structure.** – To ensure orderly and efficient process, the GOCC shall at the start of the process issue clear guidelines and establish a governance structure in the formulation of the RP in accordance with this Circular.
- (c) **Participatory Process.** – To promote meaningful consultation and participation of employees and key stakeholders, the Governing Board and Management shall provide mechanisms for consultation and participation, establish a governance structure and guidelines, and define boundaries of decision-making. Such mechanism shall include the constitution of a Change Management Team (CMT), which shall include among its membership a representative from the employees' association, and which shall have the following functions:
 - i. To be the forum where employees and other affected stakeholders express their concerns and recommendations on the manner by which the Governing Board and Management develop the RP;
 - ii. To recommend to the Governing Board and Management revisions to the final proposed RP to be submitted to the Governance Commission;
 - iii. To cascade to the officers and employees the features of the RP once it has been approved for implementation by the Governance Commission; and
 - iv. To assist officers and employees whose terms of employment are affected by the implementation of the approved RP.

The GOCC's Human Resource unit shall act as the secretariat of the CMT to ensure proper documentation of the planning and implementation of the RP.

Nothing herein shall be interpreted to mean that the Governing Board shall delegate its decision-making powers or that key decisions should be arrived at by consensus.

- (d) **Cost-Benefit Analysis** – To determine the financial viability of the proposed changes to the OS, the GOCC shall conduct an analysis of the revenue and cost implications the proposed changes and their impact on the financial position of the GOCC.
- (e) **Workforce Analysis and Planning** – The GOCC shall conduct an analysis of the existing workforce by career band and job level. It shall prepare medium-term plan showing projected staffing levels by career band and job level over the next five (5) years.
- (f) **Transition Program for Affected Officers and Employees** – The RP shall provide for a program to assist officers and employees affected by organizational restructuring transition to new jobs outside the organization or new positions within the GOCC.

3.2.3 **Compliance to Standards.** – The RP should comply with existing laws, rules or regulations. Parts thereof that are not compliant with existing laws, rules or regulations shall be invalid even if no adjustments are made by the Governance Commission and without prejudice to further action by the Commission on Audit (COA).

3.3. **Mandatory Lines of Authority.** – Regardless of whether a GOCC has already undergone rationalization or reorganization with the Governance Commission, the following organizational hierarchies / lines of authority shall be mandatory for all GOCCs:

3.3.1. The following Officers shall report directly to the Governing Board:

- (a) Internal Audit Officer;
- (b) Corporate Secretary;
- (c) Corporate Treasurer; and
- (d) Compliance Officer.

3.3.2. Nothing herein shall preclude the Governing Board of a GOCC from:

- (a) Designating an Officer within the GOCC, such as but not limited to the General Counsel, to perform the functions of the Corporate Secretary⁵ and/or the Compliance Officer⁶ as an additional duty, or other such combinations that will best serve the interest of the GOCC.

Nonetheless, the designated officer shall report directly to the Board insofar as the duties and responsibilities of Corporate Secretary and/or Compliance Officer are

⁵ Section 15.3 GCG MC No. 2012-07.

⁶ Section 16.4 GCG MC No. 2012-07

concerned, and may be entitled to a salary increase pursuant to the GOCC's existing compensation framework; or

- (b) Filling up the position of Corporate Secretary by engaging an individual from the private sector on a part-time basis, to be compensated with an amount comparable to honoraria for actual attendance at meetings in accordance with the rate for Members under National Budget Circular 2007-510⁷ or the applicable rate for Committee per diems, whichever is lower, *Provided*, the total annual cost of the honoraria shall not exceed 75% of the total annual personnel services budget for the position of Corporate Secretary. The individual from the private sector should have no conflict of interest with the GOCC, and shall be considered a public officer subject to filing of the Statement of Assets, Liabilities and Net Worth (SALN) and other accountability requirements even though not a regular employee of the GOCC.

3.3.3. The highest ranking officers for the following functions shall report directly to the Chief Executive Officer (CEO):

- (a) Finance;
- (b) Management Information Systems;
- (c) Strategic Communications; and
- (d) Corporate Planning.

Nothing herein shall preclude the Governing Board or GCG from combining the functions of the foregoing Officers into such combinations that will best serve the interest of the GOCC. Upon recommendation of the CEO, the Governing Board may issue orders for the foregoing to be supervised by another Officer before directly reporting to him/her, but such orders shall apply only during the tenure of the CEO.

3.4. **Authority to Implement RP.** – Upon evaluation of the proposed RP, the Commission shall issue a Memorandum Order (MO) authorizing the Governing Board to implement the RP as approved by the Commission. The MO shall provide among others for the following:

- 3.4.1. The revised Organizational Structure (OS) or Table of Organization (TO);
- 3.4.2. The Job Grade of the Heads and next-in-rank officers of units provided in the OS/TO;
- 3.4.3. The staffing model for branches, stores, district offices, or project management units following a classification system approved by the Governance Commission; and

⁷ Under DBM National Budget Circular No. 2007-510, the rate of honoraria shall not exceed 25% of the monthly RATA of the deputy chief operating officer of the collegial body for every meeting actually attended. For the purposes of this Circular, the ceiling of four (4) paid meetings per month shall not apply.

- 3.4.4. The total budget for personnel services based on approved Job Grades of the Heads and next-in-rank officers of units together with the indicative workforce level/headcount and corresponding compensation of the various units of the OS/TO. Where applicable, this budget shall be for personnel services in the central office only. The total budget for personnel services of branches shall be accounted for separately based on the implementation of the approved staffing model.

4. AUTHORITY OF THE GOVERNING BOARD. –

- 4.1. **Operational Flexibility.** – Pursuant to the provision of adequate operational flexibility, the Governing Board shall have conditional authority to implement the actions below provided the same is first reported to the Governance Commission in the forms required under its Citizens' Charter at least thirty (30) working days prior to implementation, and there was no communication from the Governance Commission to the contrary, to wit:

- 4.1.1. ***Changes in Scope of Responsibilities and Reporting Lines.*** – The Governing Board may change the scope of responsibilities and reporting lines of organizational units, subject to the mandatory provisions herein and the Code of Corporate Governance for GOCCs (GCG MC No. 2012-07), provided, that the creation or abolition of units or substantive changes in organizational structure not limited to the creation or abolition of units shall be approved by the Governance Commission.
- 4.1.2. ***Staffing*** – The staffing of positions below the Heads and next-in-rank officer of units, including the number of job positions, the job titles, the salary grades, and the number of positions per job title.
- 4.1.3. ***Titling.*** – Subject to the formal approval of the Civil Service Commission (CSC), whenever applicable, the titles of Organizational Units and Executives may be determined by the Governing Board, provided the titles clearly distinguish between the various units and levels in the organization based on size, scope of responsibility or other relevant parameters. Any changes to the framework for titling organizational units and Executives must first be reported to the Governance Commission and the CSC at least thirty (30) working days prior to implementation.
- 4.1.4. ***Career Pathing.*** – Incumbent personnel (*i.e.* change of rank with increase in job level/grade) may be promoted within the career path of the particular item, *provided*, the incumbent meets the approved qualification standards of the new rank.

Example

Plantilla Item	Career Path	Job Grade	Qualification Standards
Chief Legal Counsel (I-III)	Senior Vice-President (VP)	JG 15	Bachelor of Laws, 6 years managerial experience
	VP		Bachelor of laws, 5 years managerial experience
	Assistant VP		Bachelor of laws, 4 years managerial experience

- 4.1.5. **Scrap and Build Flexibility.** – Obsolete positions may be scrapped and replaced with new positions to meet new market conditions, provided the authorized workforce levels for career bands and job levels is maintained. Chartered GOCCs shall be responsible for securing from the CSC the applicable Qualification Standards for newly created positions.
- 4.1.6. **Reassignment/Transfer.** – Incumbent personnel and/or vacant positions may be transferred from one unit to another unit or grouped to form a new organizational unit, subject to compliance with pertinent Civil Service rules and regulations on personnel actions.⁸
- 4.1.7. **Reduction of Workforce.** – Positions, whether filled or vacant, may be abolished when the same are deemed obsolete, redundant or due to the closure of branches, satellite offices or other equivalent units, or technological advances.
- 4.1.8. **Abolition of Co-Terminous Positions.** – The Governing Board may implement the abolition of positions classified as co-terminous with incumbent (CTI) as a result of a Reorganization Plan approved under E.O. 366 upon satisfaction of the conditions for the abolition of such positions, *provided*, no additional positions shall be classified CTI.
- 4.1.9. **Creation and Closure of Branches.** – The Governing Board of a GOCC that at the time of issuance of this Circular is operating branches, stores, or project management units shall be authorized to create new or close such units in accordance with the branch staffing model approved by the Governance Commission. In the case of GOCCs without branches or similar geographical units prior to issuance of this Circular, the creation of such units shall require approval by the Governance Commission and shall undergo the same process of review as a RP.

⁸ See generally Book V, Chapter 5, Section 26(3), E.O. No. 292, s. 1989, defining "Transfer." See also Omnibus Civil Service Rules and Regulations, Rule VII, Sec. 5 on "Transfer" and Sec. 10 on "Reassignment."

- 4.3. **Regulatory Intervention.** – The authority of the Governing Board is without prejudice to the authority of the Governance Commission to exercise oversight over the GOCC. The Governing Board must inform the Governance Commission in writing of its plan to undertake any of the above actions within thirty (30) working days after the same is approved by the Governing Board, or at least thirty (30) working days prior to its implementation, whichever is earlier. The written report must follow the forms required in the Governance Commission’s Citizens’ Charter.
- 4.3.1 **Technical Working Group (TWG) Meeting.** – The Governance Commission may require TWG meetings to make adjustments to any of the actions above when they compromise the operations or the financial health of the GOCC, constitute gross abuse of discretion to the detriment of officers and employees or do not comply with the standards established herein or that were approved specifically for the GOCC. The call for a TWG meeting shall suspend the implementation of the actions in question until the issuance of a written formal notice that the GOCC may proceed, subject to any adjustments made.
- 4.3.2 **Organizational Audit.** – Whenever it deems fit, the Governance Commission may conduct an audit of the organizational structure, people practices, rewards system and other related matters to evaluate their effectiveness in achieving the objectives of the GOCC and the projected business outcomes. On the basis of the audit results, the Governance Commission shall direct the Governing Board to implement changes in the organizational structure to address identified gaps and issues and improve overall performance.
- 4.3.3. **Non-Compliance to Rules and Regulations.** – Any action that is contrary to laws, rules or regulations shall be invalid even if no adjustments are made by the Governance Commission without prejudice to further action by the Commission on Audit (COA).
- 4.3.4. **Requirement on Comprehensive and Concise Reporting.** – In order to facilitate evaluation by the Governance Commission within the 30-day period and to avoid repetitive and piecemeal reports that would render nugatory the approved workforce actions, the GOCCs concerned should ensure that the reports submitted are comprehensive and concise so as to cover the desired outcomes for the entire calendar year. The Governing Board shall perform a strategic and holistic review of its Organizational Structure and Staffing Pattern in its annual planning.
5. **FUNDING OF PERSONNEL SERVICES.** – Any increase in the budget for personnel services (annual total compensation for all personnel) resulting from any change in the Organizational Structure and/or Staffing Pattern shall be charged to corporate funds. It shall be prohibited to source payment for the increase from any of the following:
- (a) Loans;

- (b) Subsidy; and
 - (c) Sale of assets for the sole purpose of paying the increase in personnel services budget and not otherwise in the ordinary course of business.
6. **ORGANIZATIONAL STRUCTURE OF NEWLY CREATED GOCCs.** – The Organizational Structure of newly created GOCCs shall require approval by the Governance Commission prior to its implementation. The provisions of this Circular shall also cover applications for approval of a new Organizational Structure and Staffing Pattern.
7. **EARLY RETIREMENT INCENTIVE PROGRAM AND SEPARATION PAY.** – The applicable Early Retirement Incentive Program (ERIP) and Separation Pay shall be pursuant to existing laws and regulations.
8. **CHECKLIST OF DOCUMENTS.** – All reports required herein shall follow the checklist of documents and forms in the Citizens' Charter section of the Governance Commission's website.
9. **RETAINING EXPERTISE.** – Each GOCC is encouraged to procure the consulting services of reputable HR consulting firms, companies or individual consultants, as well as market information that may be used for external benchmarks for the operations of the GOCC. The engagement shall ensure knowledge and technology transfer in line with the *Government Procurement Reform Act* (R.A. No. 9184). The expenses that will be incurred in procuring the services of such expert individuals or institutions shall be considered as necessary expenses of the GOCC.
10. **TRANSITORY PROVISIONS.** –
- 10.1. All GOCCs shall submit the required workforce analysis reports following the forms in the Citizens' Charter of the GCG website within three (3) months from the effectivity of this Circular. The workforce analysis reports shall identify the business outcomes / performance measures of each unit, and group existing staff into the following career bands and job levels
- (a) Management, which consists of the following career bands:
 - i. Executives; and
 - ii. Middle Management/Supervisors.
 - (b) Individual Contributors, which consists of the following career bands:
 - i. Professionals;
 - ii. Customer/Client Management;
 - iii. Sales Staff;
 - iv. Technical Support Staff,
 - v. General Staff; and
 - vi. Labor.
- 10.2. Individuals under Contracts of Services/Job Orders shall also be grouped accordingly.

- 10.3. All vacant positions shall be excluded from the grouping, except for those that have been identified as still relevant and have been vacant for not more than six (6) months.
 - 10.4. Total Cash Compensation (total guaranteed compensation⁹ plus variable pay) for each Job Level and within each career band shall also be reported for costing analysis.
 - 10.5. The filled positions within each GOCC and all positions that have only been vacant for not more than four (4) months from the effectivity of this circular shall be deemed the authorized workforce level of the GOCC, and all other vacant positions shall be deemed abolished.
 - 10.6. Governing Boards may exercise the conditional authority herein only after sixty (60) working days from the time their workforce analysis reports are received by the Governance Commission.
- 11. EFFECTIVITY.** – This Circular shall take effect immediately upon its publication in a newspaper of general circulation and on the Governance Commission’s website at www.gcg.gov.ph.

BY AUTHORITY OF THE COMMISSION:


CESAR L. VILLANUEVA
Chairman


MA. ANGELA E. IGNACIO
Commissioner


RAINIER B. BUTALID
Commissioner

⁹ Total Guaranteed Compensation refers to basic guaranteed compensation plus fixed cash allowances.