



Transforming Organizations for the Future

Rewards Philosophy and Strategy Cascade for GOCCs

January 2013

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Introduction

CPCS Project Road Map: Where are we?



Overall GOCC Rewards Philosophy and Strategy Articulation

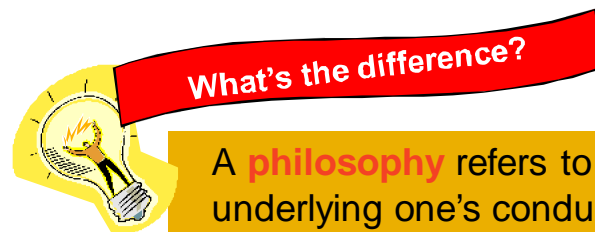


Total Rewards Philosophy

A set of guiding principles which align pay and all forms of reward to business strategy in order to attract and retain the right people and to motivate desired behaviors and performance

An organization's reward policy can be viewed as strategic if...

- It **rewards, reinforces and motivates actions and behaviors** of individuals and groups that **drive achievement of organization goals**
- It emphasizes an **effective mix** of plans, combining material and non-material types of rewards



A **philosophy** refers to a set of guiding principles or beliefs underlying one's conduct

A **strategy** is a plan of action designed to achieve a particular goal

An effective Total Rewards strategy optimizes the Total Rewards portfolio to meet business and workforce objectives



Total Rewards include...

CPCS Review will cover:

- Guaranteed Pay
- Variable Pay (Short-term Incentives)

- Foundational Rewards**
- Base Pay
 - Perquisites
 - Allowances
 - Retirement
 - Health Care
 - Life and Disability
 - Other Welfare Benefits
 - Wellness Initiatives
 - EAP
 - Voluntary Benefits
 - Discounts/Affinity Programs
 - Time Off

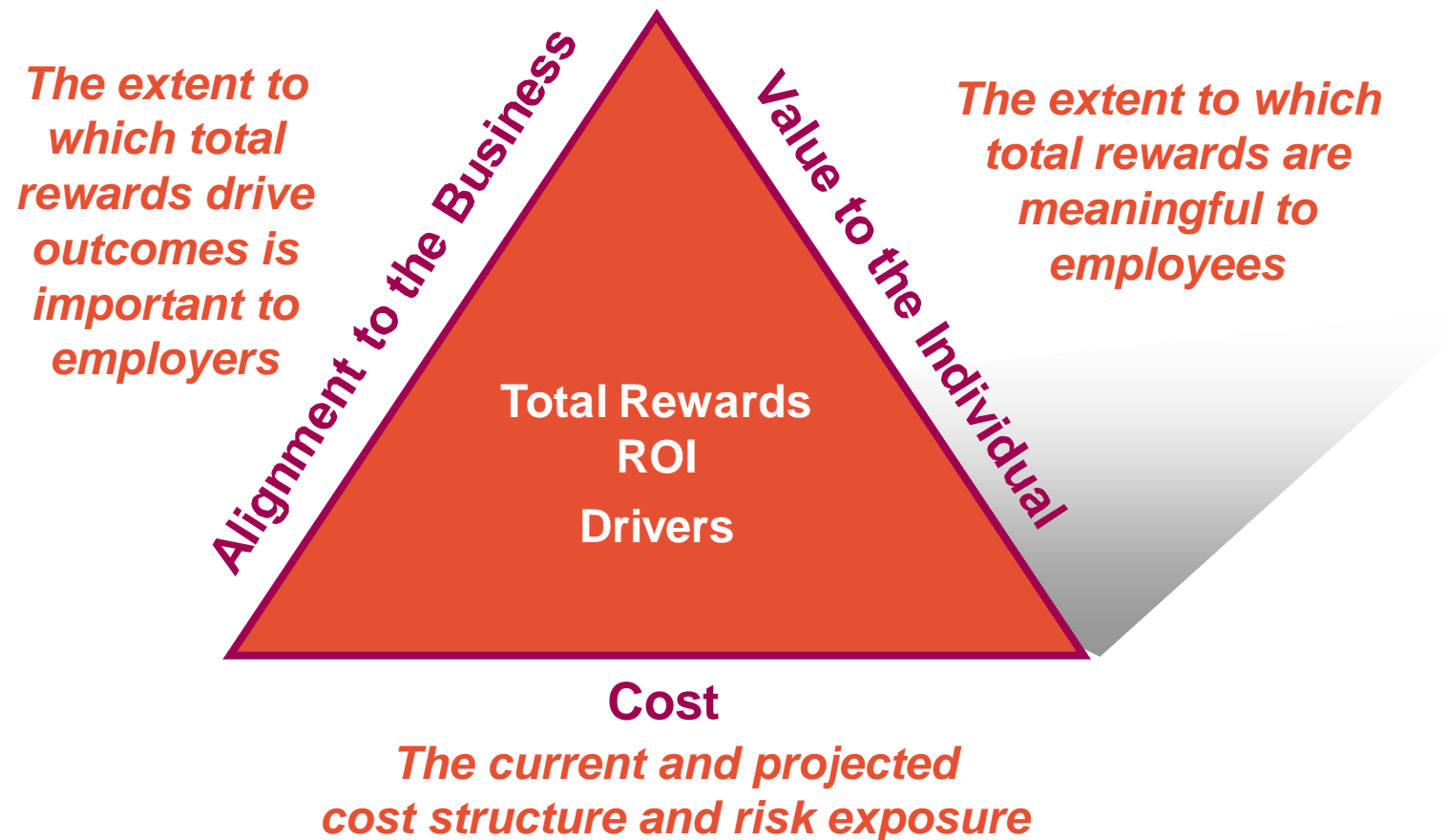
- Career and Environmental Rewards**
- Training/Development
 - Mentor Programs
 - Career Management Programs
 - Talent Mobility Programs
 - Discretionary Technology
 - Flexible Work Programs
 - Work/Life Programs
 - Corporate Social Responsibility Programs
 - Well-being Programs

- Performance-Based Rewards**
- Base Pay Increases (Merit, Promotion)
 - Short-term Incentives
 - Long-term Incentive
 - Recognition
 - Profit Sharing Plans



Delivering the correct reward mix

Requires striking the right balance between *effectiveness* and *cost*:



Articulating the Rewards Philosophy

Overall Rewards Philosophy for GOCCs

Be generally competitive with the private sector doing comparable work in order to attract, engage, and retain the right talent

Ensure reasonable, justifiable, and appropriate remuneration schemes, within affordability limits and sustainability capacities of the GOCCs

Provide rewards that support and encourage performance-driven, productive, and efficient organizations

Articulating the Rewards Strategy

Elements of a Rewards Strategy



Element 1: Number of Strategies to Adopt

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- Balance the need for a single, unified plan vs. different needs of the following:
 - Sector
 - Mandate (i.e. revenue/non-revenue generating, regulatory, social services)
 - Company
 - Employee & business demographics (i.e. job level, job family, location)



Element 1: Number of Strategies to Adopt

Summary of Agreements with GCG, DBM, CSC

- Differentiate by mandate and sector
- Differentiate by job level
- Differentiate by job family, as appropriate

**To be determined: Differentiation by location

Element 2: Components and Desired Mix of Rewards Elements

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Rewards Item	Role
Guaranteed Salary Base salary Fixed bonus & allowance	Intrinsic value of job or individual Sets basic lifestyle Basis for other programs
Variable Pay / Incentives Annual Long-Term	Performance Provides discretionary income Drives short and long term results Improves pay competitiveness
Benefits Retirement Medical Insurance	Membership Provides protection and security Provides capital accumulation
Perquisites Car Club Travel	Status and Recognition Enhance image and recognition Provide opportunities to further the business

***Greater focus on variable pay (i.e., incentive vs. bonus type) to drive or reward performance;
 Greater emphasis on multiple pay elements: Total Cash or Total Rewards approaches***

Element 2: Components and Desired Mix of Rewards Elements

Rewards Item	Role
Performance Management	Business Alignment Sets expectations for attainment of business objectives
Training	Employee Development Increases productivity Improves motivation
Recognition	Drive Organizational Values Reinforces desired behavior
Communication	Status and Recognition Improve organizational alignment

Element 2: Components and Desired Mix of Rewards Elements

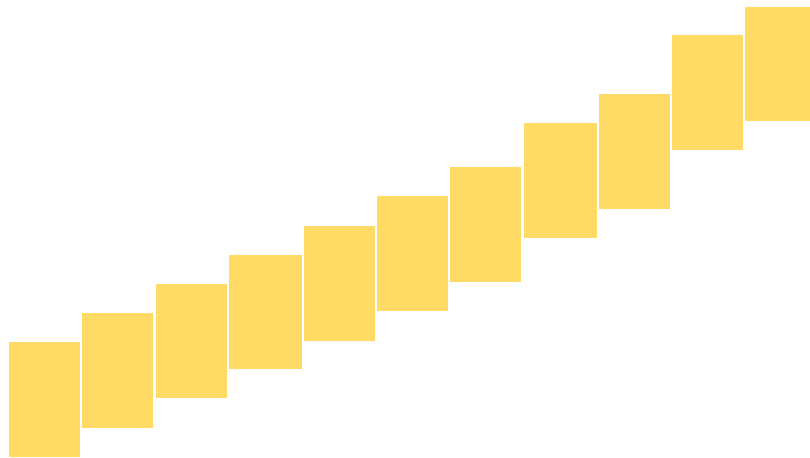
Summary of Agreements with GCG, DBM, CSC

- Align compensation mix with respective sector
- Higher job levels should have a higher proportion of variable pay

Element 3: Determinant of Job Grade

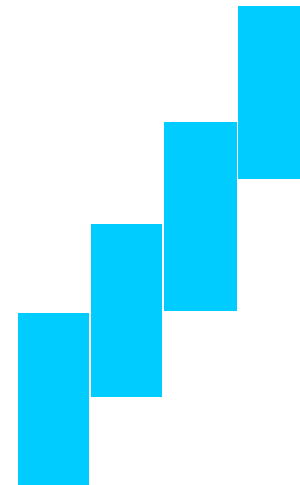
Element 3: Determinant of Job Grade

Traditional



Traditional Job Evaluation

Broad Grades

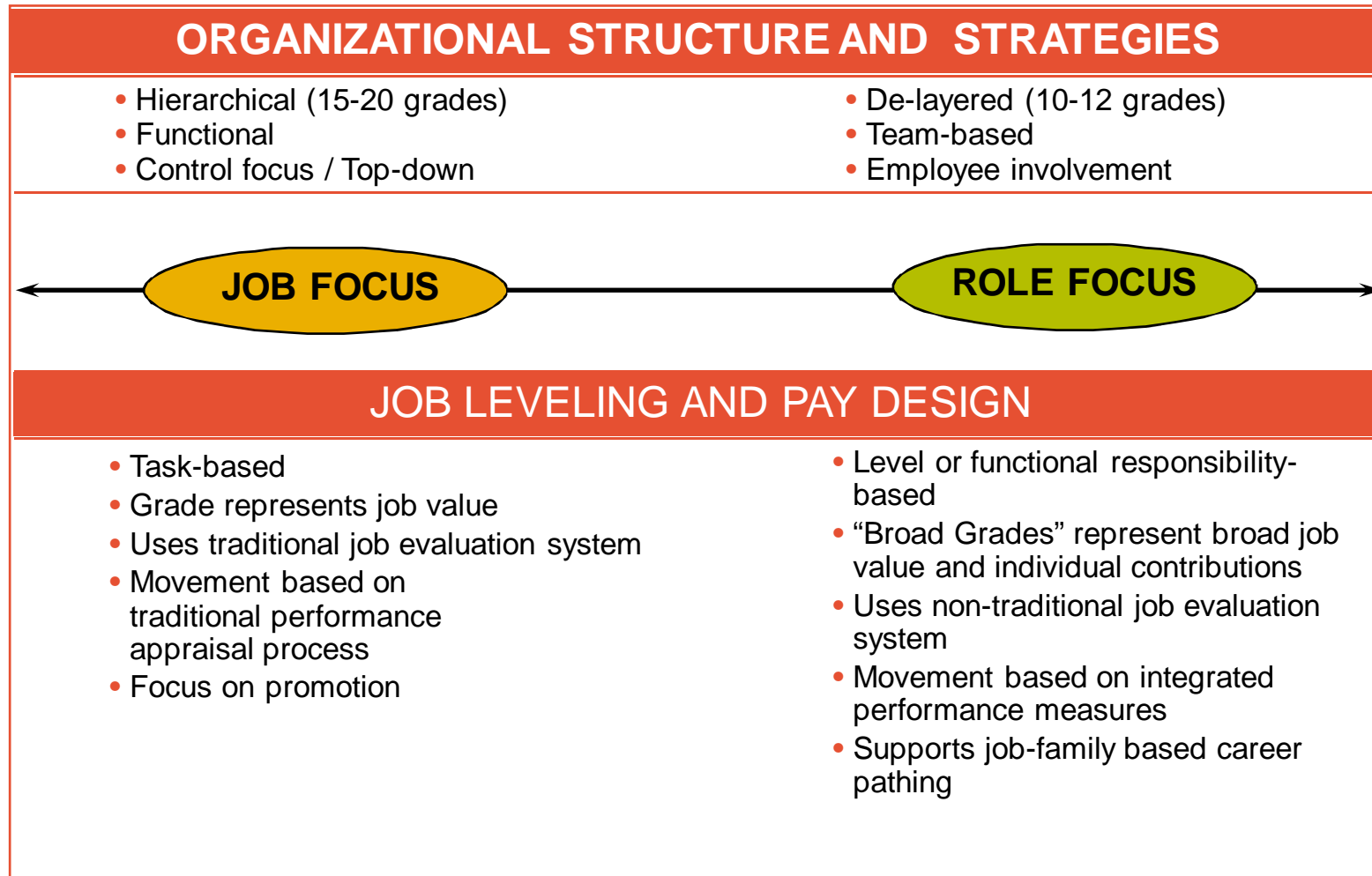


Hybrid Systems

Wider pay ranges¹ reflect flatter structures (“broad banding or broad grading”)

¹Pay range refer to the minimum and maximum pay at a given grade

Element 3: Determinant of Job Grade



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Summary of Agreements with GCG, DBM, CSC

- Review SSL's salary grades, collapse into broad grade structure
- Length of service of the individual employee not to be considered in determining job grade; however minimum work experience (in number of years) required to perform the job may be considered
- Differentiate between minimum requirements of the job vis-a-vis preferred qualities

Element 4: Composition of Focus Group

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- Based on type of products/services or industry
- Geographies/ regions
- Based on revenue size
- Based on number of employees
- Other criteria:
 - Organizations you hire from or lose employees to
 - Organizations whose philosophies, processes, core competencies or technology you would like to benchmark with



Element 4: Composition of Focus Group

Summary of Agreements with GCG, DBM, CSC

- Comparison with private sector
 - General/Clerical to Officer/Supervisor jobs: General industry (same across GOCCs)
 - Industry-specialist jobs, regardless of job level: Industry-specific
 - Managerial and Executive jobs: Industry-specific

Element 5: Market Positioning Objective

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KEY FACTORS

- Supply of Talent
- Expected Employee Performance
- Productivity Level
- Mobility of Employees
- Staffing
- Degree of Industry Stability

	Abundant	Adequate	Limited	Scarce
Supply of Talent	Low	Average	Stretch	Exceptionally High
Expected Employee Performance	Low	Average	Above Average	Very High
Productivity Level	Low	Modest	Some Hiring Away by Competitors	Frequent Hiring Away by Competitors
Mobility of Employees	Excessive	Adequate	Light	Extremely Lean
Staffing	Rock Solid	High	Moderate	Low
Degree of Industry Stability	40th Percentile	50th Percentile	60th Percentile	75th Percentile

Element 5: Market Positioning Objective

Other Considerations

- Current compensation levels
- Affordability



Element 5: Market Positioning Objective

Summary of Agreements with GCG, DBM, CSC

- Target at market median, within each GOCC's affordability and sustainability limits
 - Across all GOCCs
 - Across all jobs

Element 6: Role of Performance

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Summary of Agreements with GCG, DBM, CSC

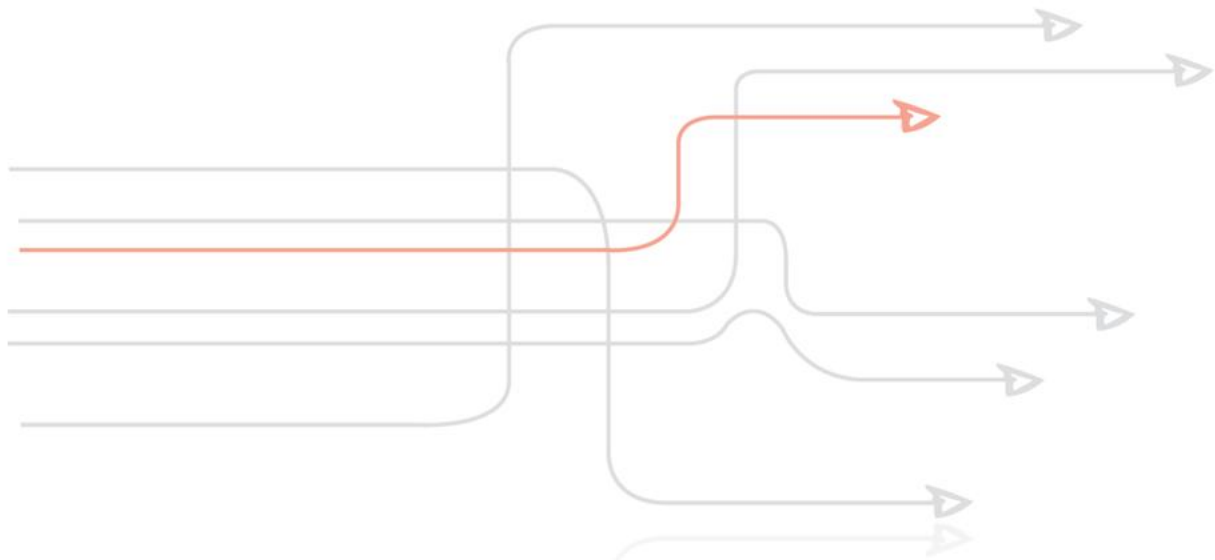
- Performance of individuals and GOCC's to which they belong will be a factor in determining pay increases and variable pay.
- Differentiate among performers and non-performers

Questions



Contact us

GCG@towerwatson.com



Appendix



Executive Interview Resources

- GCG Chairman Cesar L. Villanueva
 - GCG Commissioner Ma. Angela E. Ignacio
 - GCG Commissioner Rainier Butalid
 - DOF Secretary Cesar V. Purisima
 - DBM Director Larry Drapete
 - CSC Chairman Francisco T. Duque, III
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- Review of Privilege Speech on RA 10149 by Senator Franklin M. Drilon

FGD Sessions with GOCC Representatives



GOVERNMENT FINANCIAL INSTITUTIONS	LAND AND WATER
Credit Information Corporation Development Bank of the Philippines Government Service Insurance System Home Development Mutual Fund Land Bank of the Philippines Philippine Deposit Insurance Corporation Philippine Export-Import Credit Agency Philippine Health Insurance Corporation Small Business Guarantee and Finance Corporation Social Security System	Local Water Utilities Administration Metropolitan Waterworks and Sewerage System National Agri-Business Corporation National Dairy Authority National Irrigation Administration National Livelihood Development Corporation National Tobacco Administration Philippine Fisheries Development Authority Philippine Mining Development Corporation Sugar Regulatory Administration
SOCIAL SERVICES AND HOUSING	POWER
Cultural Center of the Philippines Development Academy of the Philippines National Housing Authority Philippine Charity Sweepstakes PITC Pharma, Inc. Technology and Livelihood Resources Center	National Electrification Administration National Power Corporation National Transmission Corporation Philippine National Oil Company PNOC Exploration Corporation Power Sector Assets and Liabilities Management Corp
COMMERCIAL, TRADE AND TOURISM	TRANSPORTATION, INFRASTRUCTURE, COMMUNICATION
Center for International Trade Expositions and Missions Clark Development Corporation Duty Free Philippines Corporation John Hay Management Corporation National Development Company Philippine Amusement and Gaming Corporation Philippine International Trading Corporation Tourism Promotions Board	Bases Conversion and Development Authority Civil Aviation Authority of the Philippines Clark International Airport Corporation Light Rail Transit Authority Manila International Airport Authority North Luzon Railways Corporation People's Television Network, Inc. Philippine Ports Authority Philippine Reclamation Authority
SUPPORT SERVICES*	
Batangas Land Company, Inc. DBP Data Center, Inc. Land bank Countryside Development Foundation, Inc. LBP Resources and Development Corporation NIA Consult, Inc. PNOC Development and Management Corporation	

**Support Services joined session of respective parent company*
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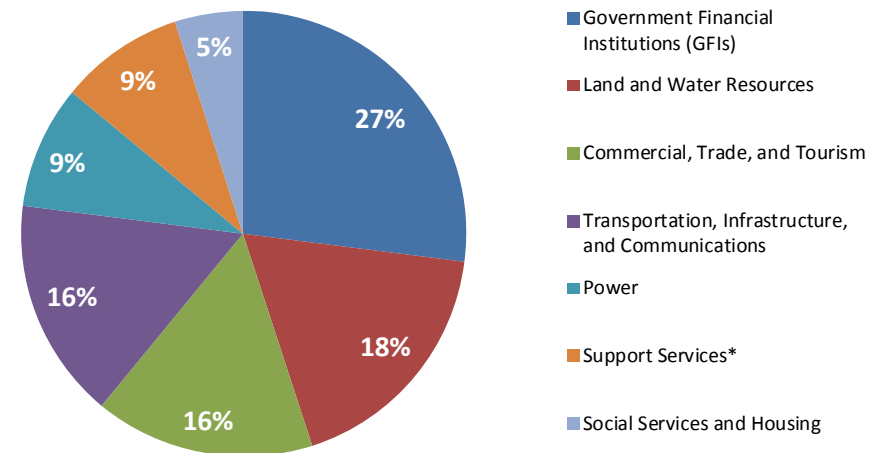


Diagnosics Survey with GOCC HR Representatives

Sector	Total No. of GOCCs*	No. of GOCCs Submitting Survey Questionnaire	% Survey Submission of Sector
Commercial, Trade, and Tourism	23	14	61%
Government Financial Institutions (GFIs)	26	24	92%
Land and Water Resources	34	16	47%
Power	8	8	100%
Social Services and Housing	11	5	45%
Support Services*	10	8	80%
Transportation, Infrastructure, and Communications	24	14	58%
TOTAL	136	89	65%

*Annex A, Classification of GOCCs by Sectors from GCG (October 5, 2013)

Distribution of Survey Responses



External Benchmarking Comparators

- Philippine private sectors from Towers Watson client database
 - General Industry
 - Hi-Tech / Telecommunications
 - Banking / Financial Services
- Other government-owned corporations from web-research
 - Australia
 - Canada
 - China
 - Indonesia
 - Malaysia
 - New Zealand
 - Singapore
 - South Africa
 - UAE (Dubai)