



Republic of the Philippines
DEPARTMENT OF BUDGET AND MANAGEMENT

On Increasing the Salaries of Teachers

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Outline of Presentation

- I. Explain the current compensation package of public school teachers in light of SSL and TRAIN.
- II. Explain the budgetary impact of increasing the salaries of public school teachers.
- III. Compare the compensation of public school teachers with their private sector counterparts.
- IV. Action Steps of the DBM



Current Compensation Package of Teachers



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Compensation Package of Teacher I (SG 11) in 2018 & 2019

Monthly Salary (SG 11 – Tranche 3 of SSL in FY 2018)	P20,179
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Annual Bonuses and Allowances ¹	
Personal Economic Relief Allowance (PERA)	P24,000
Mid-Year Bonus (equivalent to one-month salary)	P20,179
Year-End Bonus (equivalent to one-month salary)	P20,179
Performance Enhancement Incentive (PEI)	P5,000
Cash Gift	P5,000
Total Annual Bonuses	P74,358

Annual Compensation Package	
Annual Salary (P20,179 x 12)	P242,148
Annual Bonuses	P74,358
Total Annual Compensation Package	P316,506

Monthly Compensation in FY 2018 (Total Annual Compensation/12 months)	P26,375
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Monthly Salary (SG 11 – Tranche 4 of SSL in FY 2019)	P20,754
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Annual Bonuses and Allowances ¹	
Personal Economic Relief Allowance (PERA)	P24,000
Mid-Year Bonus (equivalent to one-month salary)	P20,754
Year-End Bonus (equivalent to one-month salary)	P20,754
Performance Enhancement Incentive (PEI)	P5,000
Cash Gift	P5,000
Total Annual Bonuses	P75,508

Annual Compensation Package	
Annual Salary (P20,754 x 12)	P249,048
Annual Bonuses	P75,508
Total Annual Compensation Package	P324,556

Monthly Compensation in FY 2019 (Total Annual Compensation/12 months)	P27,046
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¹Does not include Performance-Based Bonus

Compensation Package of Principal I (SG 19) in 2018 & 2019

Monthly Salary (SG 19 – Tranche 3 of SSL in FY 2018)	P42,099
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Monthly Salary (SG 11 – Tranche 4 of SSL in FY 2019)	P45,269
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Annual Bonuses and Allowances ¹	
Personal Economic Relief Allowance (PERA)	P24,000
Mid-Year Bonus (equivalent to one-month salary)	P42,099
Year-End Bonus (equivalent to one-month salary)	P42,099
Performance Enhancement Incentive (PEI)	P5,000
Cash Gift	P5,000
Total Annual Bonuses	P118,198

Annual Bonuses and Allowances ¹	
Personal Economic Relief Allowance (PERA)	P24,000
Mid-Year Bonus (equivalent to one-month salary)	P45,269
Year-End Bonus (equivalent to one-month salary)	P45,269
Performance Enhancement Incentive (PEI)	P5,000
Cash Gift	P5,000
Total Annual Bonuses	P124,538

Annual Compensation Package	
Annual Salary (P42,099 x 12)	P505,188
Annual Bonuses	P118,198
Total Annual Compensation Package	P623,386

Annual Compensation Package	
Annual Salary (P45,269 x 12)	P543,228
Annual Bonuses	P124,538
Total Annual Compensation Package	P667,766

Monthly Compensation in FY 2018 (Total Annual Compensation/12 months)	P51,949
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Monthly Compensation in FY 2019 (Total Annual Compensation/12 months)	P55,647
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¹Does not include Performance-Based Bonus

Effect of TRAIN on teachers' take-home pay in FY 2018

TEACHER I – Assuming No Dependents & Tranche 3 of SSL (SG 11)

Total Annual Compensation ^{1,2}	Taxable Annual Income		Tax Due		Annual Tax Savings
	'Old Tax Regime' ³	TRAIN ⁴	'Old Tax Regime'	TRAIN	
P316,506	P192,148	P242,148	P35,537	P0	P35,537

¹ Includes Personal Economic Relief Allowance, Mid-Year Bonus, Year-End Bonus, Cash Gift, Performance Enhancement Incentive Bonus

² Does not include mandatory contributions to GSIS, PhilHealth, PAG-IBIG, etc.

³ Total Annual Salary Less P50,000 Personal Exemption

⁴ Total Annual Salary

NOTE: Total Annual Salary of Teacher I ($P20,179 \times 12$) = P242,148



Effect of TRAIN on teachers' take-home pay in FY 2019

TEACHER I – Assuming No Dependents & Tranche 4 of SSL (SG 11)

Total Annual Compensation ^{1,2}	Taxable Annual Income		Tax Due		Annual Tax Savings
	'Old Tax Regime' ³	TRAIN ⁴	'Old Tax Regime'	TRAIN	
P324,556	P199,048	P249,048	P37,262	P0	P37,262

¹ Includes Personal Economic Relief Allowance, Mid-Year Bonus, Year-End Bonus, Cash Gift, Performance Enhancement Incentive Bonus

² Does not include mandatory contributions to GSIS, PhilHealth, PAG-IBIG, etc.

³ Total Annual Salary Less P50,000 Personal Exemption

⁴ Total Annual Salary

NOTE: Total Annual Salary of Teacher I ($P20,179 \times 12$) = P249,048



Effect of TRAIN on teachers' take-home pay in FY 2018

PRINCIPAL I – Assuming Two Dependents & Tranche 3 of SSL (SG 19)

Total Annual Compensation ^{1,2}	Taxable Annual Income		Tax Due		Annual Tax Savings
	'Old Tax Regime' ³	TRAIN ⁴	'Old Tax Regime'	TRAIN	
P623,386	P417,386	P509,386	P100,216	P57,347	P42,870

¹ Includes Personal Economic Relief Allowance, Mid-Year Bonus, Year-End Bonus, Cash Gift, Performance Enhancement Incentive Bonus

² Does not include mandatory contributions to GSIS, PhilHealth, PAG-IBIG, etc.

³ Total Annual Salary less P50,000 Personal Exemption and P25,000 Additional Exemption for each dependent plus bonuses in excess of P82,000

⁴ Total Annual Salary plus benefits in excess of P90,000

NOTE: Total Annual Salary of Principal I (P42,099 x 12) = P505,188

Total Annual Bonuses of Principal I = P94,198

Effect of TRAIN on teachers' take-home pay in FY 2019

PRINCIPAL I – Assuming Two Dependents & Tranche 4 of SSL (SG 19)

Total Annual Compensation ^{1,2}	Taxable Annual Income		Tax Due		Annual Tax Savings
	'Old Tax Regime' ³	TRAIN ⁴	'Old Tax Regime'	TRAIN	
P667,766	P461,766	P553,766	P113,530	P68,442	P45,088

¹ Includes Personal Economic Relief Allowance, Mid-Year Bonus, Year-End Bonus, Cash Gift, Performance Enhancement Incentive Bonus

² Does not include mandatory contributions to GSIS, PhilHealth, PAG-IBIG, etc.

³ Total Annual Salary less P50,000 Personal Exemption and P25,000 Additional Exemption for each dependent plus bonuses in excess of P82,000

⁴ Total Annual Salary plus benefits in excess of P90,000

NOTE: Total Annual Salary of Principal I (P45,269 x 12) = P543,228

Total Annual Bonuses of Principal I = P100,538

Total Effect of SSL and TRAIN on teachers' compensation in FY 2018

TEACHER I – Assuming No Dependents & Tranche 3 of SSL (SG 11)

	2017 (SG 11 – P19,620)	2018 (SG 11 – P20,179)	INCREASE
Total Annual Compensation	P308,680	P316,506	P7,826
Reduction in Taxes with TRAIN			P35,537

TOTAL ANNUAL GAIN:

P43,363

PRINCIPAL I – Assuming Two Dependents & Tranche 3 of SSL (SG 19)

	2017 (SG 19 – P39,151)	2018 (SG 19 – P42,099)	INCREASE
Total Annual Compensation	P582,114	P623,386	P41,272
Reduction in Taxes with TRAIN			P42,870

TOTAL ANNUAL GAIN:

P84,142

Total Effect of SSL and TRAIN on teachers' compensation in FY 2019

TEACHER I – Assuming No Dependents & Tranche 3 of SSL (SG 11)

	2018 (SG 11 – P20,179)	2019 (SG 11 – P20,754)	INCREASE
Total Annual Compensation	P316,506	P324,556	P8,050
Reduction in Taxes with TRAIN			P37,262

TOTAL ANNUAL GAIN:

P45,312

PRINCIPAL I – Assuming Two Dependents & Tranche 3 of SSL (SG 19)

	2018 (SG 19 – P42,099)	2018 (SG 11 – P45,269)	INCREASE
Total Annual Compensation	P623,386	P667,766	P44,380
Reduction in Taxes with TRAIN			P45,088

TOTAL ANNUAL GAIN:

P89,468

Projected Budgetary Impact of Increasing the Salaries of Teachers



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Teaching Positions Personnel Services (PS) Cost 2016 - 2019

* Take note that the first tranche of SSL was implemented in 2016

<i>(all figures in pesos)</i>	2016 (Tranche 1)	2017 (Tranche 2)	2018 (Tranche 3)	2019 (Tranche 4)
Authorized Salary	239,254,993,000	249,901,660,000	261,551,271,000	274,628,834,550
Other Compensation ¹	72,640,668,167	75,995,236,667	78,817,478,500	81,546,952,425
Fixed Expenditures ²	37,306,409,068	38,974,030,850	40,692,348,473	42,654,281,896
Total PS Cost:	349,202,070,234	364,870,927,517	381,061,097,973	398,830,068,871
<i>No. of Authorized Positions</i>	840,124	880,640	880,640	894,387

From 2016 to 2019, the PS cost for teaching positions has increased by 14.2%

¹ Includes PERA, Mid-Year Bonus, Year-End Bonus, Uniform/Clothing Allowance, PEI, and Cash Gift

² Includes Retirement and Life Insurance Premiums (RLIP), PAG-IBIG, Employees Compensation Insurance Premiums (ECIP), and PhilHealth premiums

Teaching Positions Personnel Services (PS) Cost 2018

Number of Positions Authorized as of 2018: 880,640

2018 GAA Numbers	
Authorized Salary	P261,551,271,000
Other Compensation ¹	P78,817,478,500
Fixed Expenditures ²	P40,692,348,473
Total PS Cost	P381,061,097,973

Estimated PS with the Doubling the Salaries of Teachers	
Authorized Salary	P523,102,542,000
Other Compensation ¹	P122,409,357,000
Fixed Expenditures ²	P79,271,160,945
Total PS Cost	P724,783,059,945

Estimated Additional Funding Needed

(Projected Cost of Doubling Salaries – 2018 GAA PS Cost): P343,721,961,972 or P343.7 Billion

¹ Includes PERA, Mid-Year Bonus, Year-End Bonus, Uniform/Clothing Allowance, PEI, and Cash Gift

² Includes Retirement and Life Insurance Premiums (RLIP), PAG-IBIG, Employees Compensation Insurance Premiums (ECIP), and PhilHealth premiums

Budgetary Impact: On the Deficit

- Doubling the salaries of public school teachers in 2018 will require P343.7 billion. This amount is about 2% of GDP.
- Financing the doubling of salaries of teachers may require hiking the deficit to 5% of GDP from the current program of 3% of GDP. This will make the public sector deficit unmanageable. It will put at risk the excellent international financial standing that the Duterte Administration has built in the past 18 months.



Two Options to Avoid Unmanageable Deficit: New Taxes or Reduce Other Expenditure Items

- Doubling the salaries of teachers (and raising at least P343.7 billion) may require additional taxes.
- Adjustment cost is monumental: Package 1A of TRAIN is expected to deliver about P90 billion in revenues. The amount that is needed to “double” the salaries of teachers is almost four times the revenue yield of Package 1A of TRAIN. Package 2 is even revenue neutral.



Implications of Spending Cuts

- We will be hard-pressed to finance our Budget priorities (i.e. Build Build Build, Free College Tuition, Marawi Rehabilitation, etc.).
- Our BBB Program was designed to make up for past neglect in infrastructure; it is meant to link fast-growing regions to lagging regions; it is meant to improve the quality of life of Filipinos so they might spend more time with their families rather than spend more time on the road.



Public School Teachers' Salaries compared with Market Rates

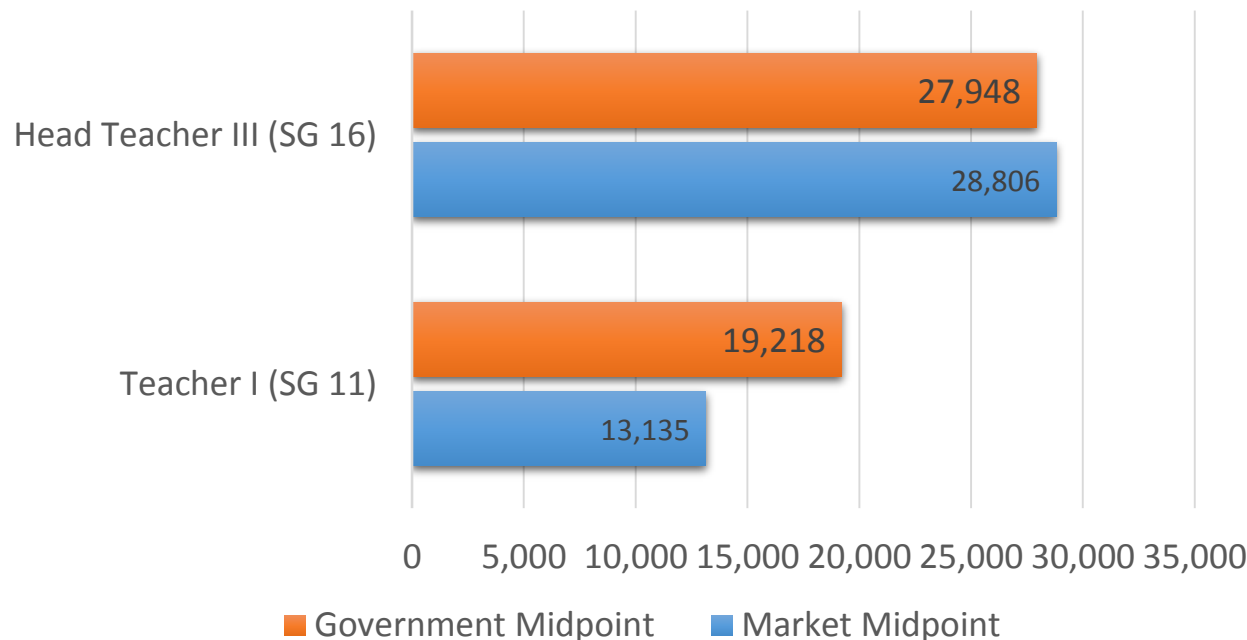


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2015 Study on Compensation and Benefits in the Public Sector

- In 2015, the DBM commissioned Towers Watson to gauge the level of public sector salaries relative to their private sector counterparts.

Basic Monthly Salary Comparison for Teachers



2016 Study on the Salaries and Spending Pattern of DepEd Teachers (Dr. Rosario G. Manasan)

❑ Average monthly salary of ES/ HS teachers

- PhP 19,600 in public schools
- PhP 11,400 in private schools

❑ Wide variation in teacher salaries in private sector

- From a low of PhP 6,700 in ARMM to high of PhP 14,600 in Region X

Average monthly salary of ES/ HS teachers, by Region, 2016 (in pesos)

Region	DEPED teachers (1)	Private ES/ HS teachers (2)	(1)/ (2)
Philippines	19,566	11,416	1.71
NCR	19,283	14,366	1.34
CAR	18,802	13,143	1.43
I - Ilocos Region	19,896	8,212	2.42
II - Cagayan Valley	20,454	10,181	2.01
III - Central Luzon	19,450	10,665	1.82
IVA - Calabarzon	19,690	10,451	1.88
IVB - Mimaropa	20,300	9,558	2.12
V - Bicol Region	19,449	11,584	1.68
VI - Western Visayas	19,401	10,423	1.86
VII - Central Visayas	19,416	12,148	1.60
VIII - Eastern Visayas	19,726	13,100	1.51
IX - Western Mindanao	19,542	8,085	2.42
X - Northern Mindanao	20,813	14,632	1.42
XI - Southern Mindanao	19,326	9,762	1.98
XII - Central Mindanao	20,710	9,235	2.24
CARAGA	18,947	8,157	2.32
ARMM	17,145	6,650	2.58

Source: Labor Force Survey (Jan 2016), Philippine Statistics Authority

Compensation of Public School Teachers vs Private School Teachers

- Given these figures, the salaries of public school teachers is more than competitive relative to the private sector.
- Such observations are confirmed both by the market study commissioned by the DBM in 2015 and the study conducted by Dr. Manasan in 2016.



Takeaways

- The takehome pay of teachers has increased over the past few years with SSL and TRAIN. It is even more competitive than private sector rates.
- Nevertheless, the DBM recognizes the important role of teachers. We are not strictly against the salary increase of teachers. Rather, we prefer to let the third and fourth tranche of SSL run its course while commissioning a study (from an independent firm) to benchmark the salary of teachers (and even other personnel like doctors, nurses, lawyers, etc.).



Takeaways

- Lastly, it will be difficult to implement an immediate salary increase for teachers in FY 2018. The 2018 GAA has already been passed into law and the Executive Department cannot unilaterally change the Budget (Congress has power of the purse).
- Ample time is needed to ensure a fiscally sustainable, prudent, and equitable salary adjustment for public school teachers.



THANK YOU



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