

Chapter 1

Overview of the Position Classification and Compensation System

The Position Classification and Compensation System in the Philippine Government evolved as follows:

1.1 The American Regime

During the first three years of the American regime (1898-1900), there was no formal position classification and salary administration system in the Philippines. The common designations of positions in the government service were clerk, employee, inspector, teacher, translator-interpreter, stenographer-typist and janitor-messenger. To indicate levels of difficulty, adjectives such as deputy, assistant and chief were used. Salaries were paid in Mexican dollars and Spanish-Filipino pesos were set at certain levels. Higher salaries, however, were reserved for the Americans to attract them to join the civil service. Salaries, on the other hand, for new positions were arbitrarily fixed by legislative prerogative. The depreciation, however, of the said currencies coupled with the problems of daily life placed the morale of civil servants on a rather low profile.

To resolve the problem, Act No. 5 entitled, "An Act for the Establishment and Maintenance of an Efficient and Honest Civil Servants in the Philippines," was enacted by the Philippine Commission on September 19, 1900. Among the salient provisions of said Act were the creation of the Philippine Civil Service Board which was the forerunner of the Civil Service Commission, the delineation of its powers and functions and the establishment of rules and regulations especially those on position classification.

Notwithstanding the established salary rules, the Americans were paid higher salaries than Filipinos occupying similar positions in the civil service.

1.1.1 Act No. 102

To uplift the economic status of civil servants and to attract and retain qualified and competent staff, the Philippine Commission passed Act No. 57 in December 1900 directing the Philippine Civil Service Board to conduct a survey of salaries in the civil service.

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Based on the results of the said survey, a readjustment plan was submitted by the Philippine Civil Service Board to the Philippine Commission which in turn passed Act No. 102 entitled, "An Act Regulating the Salaries of Officers and Employees in the Philippine Civil Service," dated March 9, 1901. Act No. 102 categorized officers and employees of the civil service into 2 general groups based on their salaries rather than on their duties and responsibilities. The first group consisted of 10 classes (1 to 10); the second group, 11 classes (A to K); or a total of 21 classes.

Exempted from the Act were the officers of the Department of Mindanao and Sulu. The Governor-General, with the consent of the Philippine Commission, fixed the salaries of the officers of this Department.

With the establishment of the monetary system of the Philippines, the salary rates provided in the salary scale under Act No. 102 were adjusted from dollars to pesos at the rate of \$1 to P2 effective August 26, 1907 pursuant to Act No. 1698. The revised salary scale was followed for many years until the First World War.

1.2 The Commonwealth Regime

The economic depression brought about by the First World War forced the Philippine Legislature and private firms to cut the salaries of their employees. Prices of commodities rose steadily. To alleviate the economic plight of the civil servants, the Philippine Legislature created the Government Survey Board in 1936 under Commonwealth Act No. 5 to conduct a factual survey of all government departments and submit recommendations concerning, among others, classification of positions.

After a two-year survey, the Board found out that civil servants were paid on the basis of their civil service eligibilities and not on their duties and responsibilities. Promotions, on the other hand, were based on length of service.

1.2.1 Commonwealth Act No. 402

To eliminate the said inequities, a Personnel and Salary Standardization Board was created to classify positions based on duties and responsibilities and standardize salaries of civil service personnel. The recommendations of said Board were put into effect by virtue of Commonwealth Act (CA) No. 402 entitled, "An Act to Provide for the Classification of Positions and Standardization of Salaries in the Government," dated

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September 13, 1938. Said law was patterned after the US Classification Act of 1923, as amended in 1930.

CA No. 402 created a Salary Board composed of the Commissioner of Civil Service as Chairman and the Commissioner of the Budget and the Auditor General as Members. It provided for a schedule consisting of 10 grades with 3 salary rates per grade, except Grade 10 which had only 2 salary steps. The classified positions were grouped into 7 services: administrative, professional and scientific, educational, navigation, vigilance, sub-professional, and craft and labor.

The law covers all officers and employees embraced in the classified and unclassified service except the following:

- Elective officers and officers whose compensation were fixed in the Constitution;
- Officers chosen by the National Assembly in accordance with the Constitution;
- Employees stationed outside the territorial limits of the Philippines;
- The President, deans of colleges, directors of schools, the registrar, the business director, and members of the teaching staff of the University of the Philippines;
- Commissioned and enlisted members in the active service of the Philippine Army;
- Persons in the military, naval or civil service of the United States who were appointed or detailed to perform duties in the Government of the Commonwealth; and
- Employees declared by the President of the Philippines as primarily confidential or highly technical.

The law also provided for special groups of positions, the Executive Group and the Judicial Group which were not subject to classification by the Salary Board. It likewise provided for compensation differentials for employees (a) stationed in disease-infected areas; (b) stationed in places subject to criminal elements; (c) assigned for not less than 3 consecutive months to work earlier than 6:00 A.M. or later than 8:00 P.M.; and (d) required to wear uniforms not furnished by the government.

During the Second World War, the Salary Board was renamed Salary Committee with the Auditor General as Chairman. The number of national government employees as well as their salaries were reduced due to drastic changes in the organization of the Philippine Government, as well as in the economy. To

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cushion the effects of inflation, bonuses were granted to government officials and employees based on the number of immediate dependents.

1.3 The Philippine Republic

After the Liberation in 1945, the Salary Board was reactivated. The classification of positions made by the Salary Board in 1938 was revised but it was not updated. The rates of pay in CA No. 402 were nominally applied.

In 1947, when the government was reorganized, the powers and functions of the said Board were transferred from the Commissioner of the Civil Service to the Commissioner of the Budget. Pursuant to Executive Order (EO) No. 94, s. 1947, the grades of positions and rates of salaries provided under CA No. 402 were converted into 37 grades with single rates.

To relieve civil servants from the economic difficulties brought about by the Second World War, Congress enacted 3 minimum wage laws which were adopted for the entire country. However, these laws led employees in the middle and upper pay levels whose salaries were pegged at pre-war levels to clamor for higher salaries. Congress sought solution in piece-meal pay increases for certain groups of employees or occupational groups which gave way to pay disparities and inequities. This situation went on for several years until 1957.

1.3.1 The Position Classification and Pay Plans of 1957

On June 4, 1953, the Philippine Government commissioned Louis J. Kroeger and Associates of San Francisco, California, to conduct a position and wage survey, to submit a position classification plan, a pay plan, and cost estimates to carry out the plans. The firm would also train government personnel in position classification and in determining salaries. This undertaking resulted in the establishment of the Position Classification Plan, the Pay Plan, and the Wage and Position Classification Office (WAPCO) under Reorganization Plan Nos. 1-A, 2-A, and 3-A, respectively.

The WAPCO classified positions on the bases of duties and responsibilities and qualification requirements. Positions that were sufficiently alike as to duties, level of responsibilities and qualification requirements in terms of education, experience, knowledge, skills and abilities were given the same descriptive title and the same test of fitness.

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The Plans covered all positions in the national government and its instrumentalities, including quasi-public corporations. Exempted therefrom are the following:

- Elected officials and officers whose compensation were fixed in the Constitution;
- Officers and employees of the legislative and judicial departments of the government;
- Secretaries and undersecretaries of departments of the government;
- Members of the Armed Forces;
- Officers and employees of the Foreign Service; and
- Provincial and municipal local officials.

The Position Classification Plan consisted of occupational groups, classes and class specifications or standards and the rules and regulations for its administration. The Pay Plan consisted of a salary schedule with 75 salary ranges and the salary rules. Each salary range had 5 salary steps. Each salary step was approximately 5% higher than the immediately preceding step. The spread between the minimum and maximum rates of a salary range was approximately 22%.

The Pay Plan also had a built-in mechanism for periodic pay progression to provide incentives for better performance and recognize length of service through step increases. Due to funding constraints, however, these schemes were not implemented.

When the Position Classification and Pay Plans were adopted on July 1, 1957, there were 237 occupational groups and 2,259 classes into which 183,000 regular positions were classified. Due to inadequate funds, the salaries of civil servants covered by the Plans were adjusted in 3 installments. The first adjustment was 30% of the difference between the minimum rate of the salary range of the position and the actual salary of the incumbent. The second and third adjustments which were both 35% of the said difference were granted on July 1, 1960 and July 1, 1961, respectively.

From 1959 to the middle part of 1976, the concepts and principles of position classification and salary standardization were not fully appreciated by government functionaries because of the inability of the government to grant adequate salary increases. Consequently, exemptions from the coverage of the WAPCO Plans followed one after the other.

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1.3.2 The Budgetary Reform Decree on Compensation and Position Classification of 1976

With the advent of the New Society, the President issued on August 22, 1976 Presidential Decree (PD) No. 985 known as "The Budgetary Reform Decree on Compensation and Position Classification of 1976," in conformity with the following provision of Article XII-B, Section 6 of the 1973 Constitution:

"The Batasang Pambansa shall provide for the standardization of compensation of government officials and employees, including those in government-owned and controlled corporations, taking into account the nature of the responsibilities pertaining to, and the qualifications required for, the position concerned."

PD No. 985 provided for the creation of the Office of Compensation and Position Classification (OCPC) and the abolition of the WAPCO. It declared the policy of the government to provide "equal pay for substantially equal work and to base differences in pay upon substantive differences in duties and responsibilities and qualification requirements of the positions. In determining rates of pay, due regard shall be given to prevailing rates in private industry for comparable work."

The salary schedule under PD No. 985 had 28 salary grades. Each salary grade consisted of 8 steps. The difference between 2 successive salary grades was ten (10) "1%" increments. The difference between steps is five (5) "1%" increments. The salary steps were increased from 5 to 8 to enable employees to receive salary increases as rewards for exemplary performance. The last 2 or 3 salary steps were intended for the longevity steps of employees who could not be promoted to more difficult positions because of limitations in qualification requirements and/or abilities.

The reduction from 75 salary ranges to 28 salary grades required the compression of the existing occupational groups to a more manageable size. It also required the consolidation of 2 or more related classes into a class where duties and responsibilities were sufficiently alike in terms of difficulty, skills and qualification requirements.

When PD No. 985 was issued, there were 282 occupational groups and 4,388 classes in which 575,756 regular positions were classified.

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The National Compensation and Position Classification System provided for in PD No. 985 was applied to all positions, whether permanent, temporary, or emergency in nature, or on full-time or part-time basis. Nine (9) groups of officials and officers were exempted from the coverage of PD No. 985. These exemptions were reduced to 2 groups under PD No. 1597 entitled, "Further Rationalizing the System of Compensation and Position Classification in the National Government." They are: (1) elected officials and officers whose compensation were fixed in the Constitution and; (2) local government personnel whose compensation were governed by PD No. 1136.

In addition to a standardized salary system, PD No. 985 provided for allowances, bonuses, and other benefits that shall accrue to officials and employees. This law expanded the concept and coverage of compensation administration.

1.3.3 The Compensation and Position Classification Act of 1989

Through the years, the increasing number of exemptions from the coverage of the Compensation and Position Classification System established under PD No. 985 through presidential decrees and other presidential issuances undermined the System which was not fully implemented. Special salary increases and additional compensation were likewise granted to personnel holding positions belonging to certain occupational groups and to personnel of so-called "critical" government agencies which resulted to the proliferation of several salary schedules under the Compensation Plan. These laws also brought about salary disparities among government agencies which in turn gave rise to demoralization and dissatisfaction among government employees. Thus, the morale among many of the civil servants declined and the quality of public service deteriorated.

Faced by the grim realities of the past, the President signed into law RA No. 6758 entitled, "An Act Prescribing a Revised Compensation and Position Classification System in the Government and for Other Purposes" or "Compensation and Position Classification Act of 1989," on August 21, 1989. This is also popularly known as the Salary Standardization Law (SSL).

The law is the culmination of a painstaking study undertaken by the Department of Budget and Management with the end in view of putting into realization the provisions of Section 5, Article IX-B of the 1987 Constitution which mandates that:

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“The Congress shall provide for the standardization of compensation of government officials and employees, including those in government-owned and/or controlled corporations with original charters, taking into account the nature of the responsibilities pertaining to, and the qualifications required for their positions.”

1.3.3.1 Principles Governing the Position Classification and Compensation System (PCCS)

The PCCS is governed by principles enunciated in RA No. 6758, as follows:

- All government personnel shall be paid just and equitable wages in accordance with the principle of equal pay for substantially equal work. Differences in pay shall be based upon substantive differences in duties and responsibilities and upon the qualification requirements of positions;
- Basic compensation for all personnel in the government and government-owned or controlled corporations and financial institutions shall generally be comparable with those in the private sector doing comparable work, and must be in accordance with prevailing laws on minimum wages;
- The total compensation provided for government personnel must be maintained at a reasonable level in proportion to the national budget; and
- A review of government compensation rates taking into account possible erosion in purchasing power due to inflation and other factors shall be conducted periodically.

1.3.3.2 Positions Covered by the PCCS

The PCCS applies to all positions in national and local governments, government-owned or controlled corporations (GOCCs) and government financial institutions (GFIs), elective or appointive, full-time or part-time, existing or still to be created. It does not apply to those expressly exempted by law from the coverage of the PCCS and those hired as part of a

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contract, paid on piecework or job order basis, including mail contractors and others similarly situated.

1.3.3.3 Parts of the PCCS

The PCCS is composed of the Position Classification Plan (PCP) and the Compensation Plan (CP).

- The PCP is an orderly scheme which provides the criteria and the standards for the classification of positions.
- The CP is an orderly scheme for determining rates of compensation for positions. It is based on the principle of equity and requires uniform and definite application.

1.3.3.4 Important Features of the PCCS

- Grouped classes of positions into 4 main categories, namely:
 - ♣ Professional Supervisory;
 - ♣ Professional Non-Supervisory;
 - ♣ Sub-Professional Supervisory; and
 - ♣ Sub-Professional Non-Supervisory.
- Revised the salary schedule from 28 to 33 salary grades and prescribed the rules and regulations for its implementation;
- Assigned the salary grades of constitutional officials and their equivalents and mandated the DBM to determine the officials who are of equivalent rank;
- Established benchmark positions as an aid to position classification and salary grade allocation;
- Provided for step increments based on merit or length of service;

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- Reduced the number of classes of positions in the national government from more than 5,000 to about 2,400; and
- Integrated allowances and other compensation into the standardized salary.

1.3.3.5 Objectives of the PCCS

The PCCS serves as a tool for effective management, organizational analysis, budgeting and fiscal control, and as an information tool for the general public or taxpayers.

- As a tool for effective management:
 - ♣ Standardizes salaries, allowances and benefits of officials and employees;
 - ♣ Enables both the supervisors and employees to understand the job content and pay level of positions;
 - ♣ Provides basis for the evaluation of the performance of officials and employees;
 - ♣ Raises morale by enabling an employee to identify his/her position in the organization and to understand the job expected of him/her;
 - ♣ Provides basis for the development of training programs; and
 - ♣ Provides the management of a government agency with the necessary standards on which qualification requirements for recruitment, testing, selection and placement can be based.
- As a tool in organizational analysis:
 - ♣ Highlights problems of overlapping and duplication of functions or redundancies in a government agency;
 - ♣ Aids in the accurate analysis and review of functions of a government agency.

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- ♣ Facilitates the preparation of staffing patterns of government agencies;
- ♣ Contributes to the effective placement of an employee with regard to his job and abilities; and
- As a tool in budgeting and fiscal control:
 - ♣ Establishes common terminologies for budget requests for personal services;
 - ♣ Provides standardized compensation for similar services among government agencies;
 - ♣ Serves as basis for accurate payroll reporting and analysis; and
 - ♣ Provides a basis for validating allotments and expenditures.
- As an information tool:
 - ♣ Provides information to taxpayers on the kinds of positions in the government and how much these positions are paid.

For easy reference, a matrix on the evolution of the PCCS from the American Regime to the enactment of RA No. 6758 is presented in Annex A of this Chapter.

Discussions on the American and Commonwealth Regimes were based on the book by Tomas W. Flores, "Compensation and Position Classification in the Philippine Government, 1900-1978," (Malacañang, Manila: Ministry of the Budget, 1978).