



REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF BUDGET AND MANAGEMENT  
MALACAÑANG, MANILA

### **WHAT IS THE SALARY STANDARDIZATION LAW OF 2015?**

The proposed Salary Standardization Law of 2015 (SSL 2015) is a legislative measure to modify the compensation and position classification system of civilian government personnel and the base pay schedule of military and uniformed personnel.

SSL 2015 measure proposes a **compensation adjustment strategy for 2016-2019** approved by President Benigno Aquino III. The basis for the proposed compensation adjustment strategy is the **Compensation and Benefits Study for the Public Sector** carried out by the Department of Budget and Management (DBM).

Essentially, SSL 2015 will increase the salaries and benefits of the 1.53 million government personnel by a weighted average of 45 percent and bring the compensation of all government workers to at least 70 percent of market rate.

This proposal is embodied in House Bill 6268 authored by Speaker Feliciano Belmonte, Jr., House Majority Leader Neptali M. Gonzales II and Rep. Isidro T. Ungab, House Appropriations Committee chairman. The bill was approved on 2nd reading in a viva voce vote in plenary session last November 9, 2015. The House may approve the bill in the last week of November or early December.

Senate President Franklin M. Drilon and Senate Finance Committee chairperson Loren Legarda co-author the proposed measure (Senate Bill 3009) in the Senate.

### **WHAT IS THE COMPENSATION AND BENEFITS STUDY FOR THE PUBLIC SECTOR?**

The Compensation and Benefits Study for the Public Sector is a survey carried out by the DBM pursuant to its mandate to administer the compensation and position classification system of the government under Presidential Decree No. 985 and Republic Act No. 6758 or Salary Standardization Law I.

The DBM engaged the services of Towers Watson, a leading global professional services company that offers consulting, technology and solutions in the areas of benefits, talent management, rewards, and risk and capital management.

The objectives of the Study are two-fold:

- To compare the competitiveness of government pay in relation to the private sector
- To craft a compensation strategy to bring government pay closer to market rates

As a result of this Study, the DBM developed a proposed compensation adjustment strategy for 2016-2019.



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**WHY THE NEED TO REVIEW AND MODIFY THE PUBLIC SECTOR COMPENSATION AND BENEFITS?**

The review of the compensation and benefits of the public sector is mandated by Joint Resolution No. 4<sup>1</sup>, 2009 or Salary Standardization Law 3 (SSL 3) approved on June 17, 2009. Joint Resolution No. 4 states that “a periodic review of the government’s Compensation and Position Classification System shall be conducted every three years.

SSL 3 was fully implemented in 2012. It has been three years since then, which makes the compensation and benefits review appropriate as mandated under Joint Resolution No. 4, s. 2009. The resolution states that the review shall be done in order to take into account “the changes in skills and competency requirement in the bureaucracy, the relative demand for certain expertise, the possible erosion in the purchasing power due to inflation, and other factors. The Base Pay Schedule of military and uniformed personnel shall likewise be subject to the said periodic review to ensure that they are adequately compensated.”

**WHAT ARE THE RESULTS OF THE REVIEW OF PUBLIC SECTOR COMPENSATION AND BENEFITS?**





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For comparison, the study looked at the market for jobs comparable in the Philippine public sector. Government compensation is compared with the 50<sup>th</sup> percentile of the market, which is the typical target market of private companies. Setting the comparison at the 50<sup>th</sup> percentile would help the government to be competitive with the private sector, while keeping the additional cost within affordable levels.

With a lower percentile, the government, on one hand, will continue to bleed a crop of promising talent while finding it hard to invite new blood. On the other hand, targeting at a higher percentile would eat up much of the government resources.

The analysis focused on the Total Guaranteed Pay, which, besides annual salary, includes all guaranteed allowances (such as Personal Economic Relief Allowance) and bonuses (such as 13<sup>th</sup> month pay). For the study, the DBM used 2014 data of the General Industry rates and made a projection up to 2016.

The purple line in this line chart shows actual market data. Since the data on private sector pay is erratic and broad-ranged, regression analysis was used to get the line of best fit. The orange line shows the regressed market data. Meanwhile, the green line shows the current rates based on SSL3.

The progression of salary grades within the market is exponential. Simply put: the higher the salary grade, the higher the increase an employee gets from the previous level. This works on the premise that at higher levels, there is less opportunity for promotion and the labor pool of critical talent is smaller. Higher salaries help attract and retain critical talent. In contrast, the linear progression in the income of government personnel reflects minimal increase among all salary grades.

**As you can see on the graph, government pay at the lower salary grade levels (salary grades 1 to 10) matches or even exceeds those of their private sector counterparts. However, the gap between private and public sector pay widens as one moves up the ladder.**



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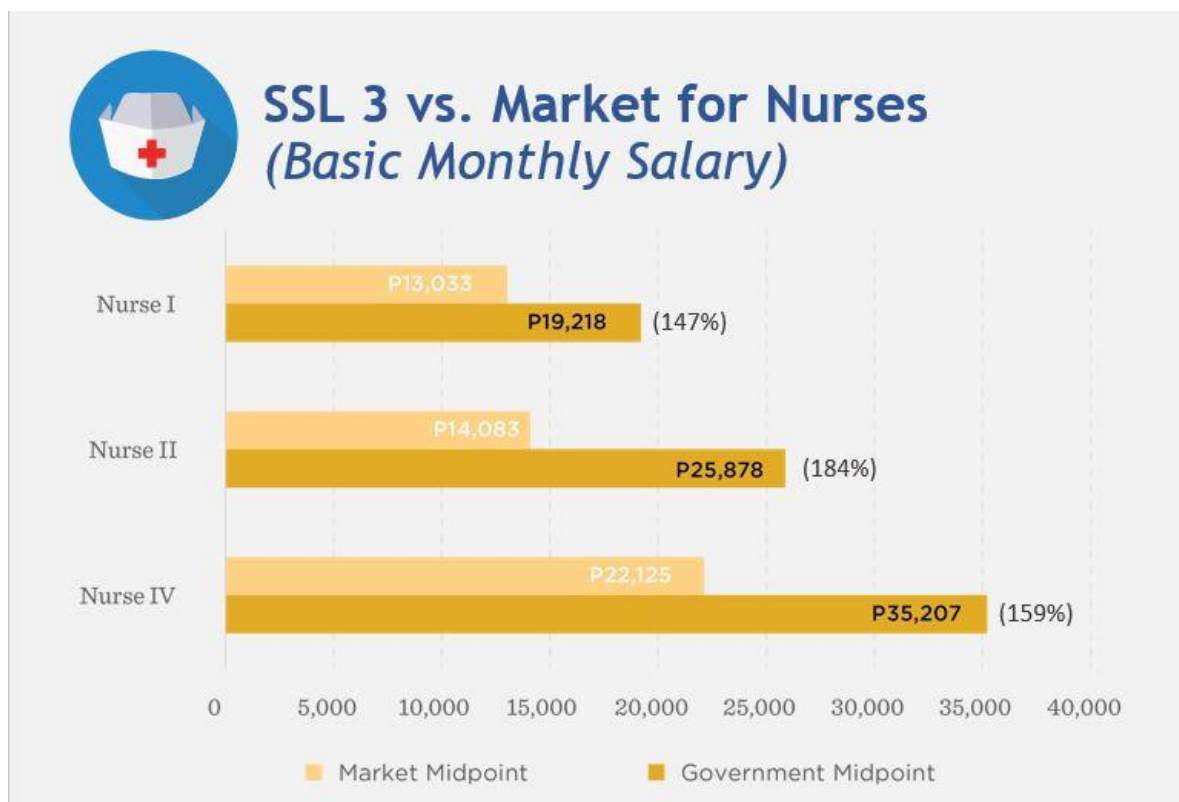
<b>Highlights of Competitive Review: <i>SSL 3 is 45% Below Market</i></b>		
<b>Job Category</b>	<b>Sample Positions</b>	<b>Market Position of Government Pay</b>
<b>Sub-Professional</b> (SGs 1 to 10)	<ul style="list-style-type: none"> <li>• Utility Worker</li> <li>• Driver</li> <li>• Messenger</li> <li>• Clerk</li> <li>• Administrative Assistant</li> </ul>	<b>126% to 79%</b> of market
<b>Professional</b> (SGs 11 to 24)	<ul style="list-style-type: none"> <li>• Economist</li> <li>• Agriculturist</li> <li>• Accountant</li> <li>• Engineer</li> <li>• Lawyer</li> </ul>	<b>76% to 41%</b> of market
<b>Middle Manager</b> (SGs 25 to 28)	<ul style="list-style-type: none"> <li>• Director I</li> <li>• Director IV</li> <li>• Executive Director</li> </ul>	<b>39% to 34%</b> of market
<b>Executive</b> (SGs 29 to 33)	<ul style="list-style-type: none"> <li>• Assistant Secretary</li> <li>• Undersecretary</li> <li>• Secretary</li> <li>• Senator</li> <li>• Vice - President</li> <li>• President</li> </ul>	<b>32% to 22%</b> of market

The study looked at where government compensation stands in the market at the job category-by-job category. **Pay for sub-professional workers is at 126% (at SG1) to 79% (SG10) of the market rates. Professionals can get as low as 41% of the market as they move up the ladder. Middle managers, comprised of directors, only get more or less third of what their counterparts in the private sector get; while executives are paid only about a quarter to a third as much.**

Overall, government pay is only at a weighted average of 55% of the market. Stated in reverse, it is 45% below the market.



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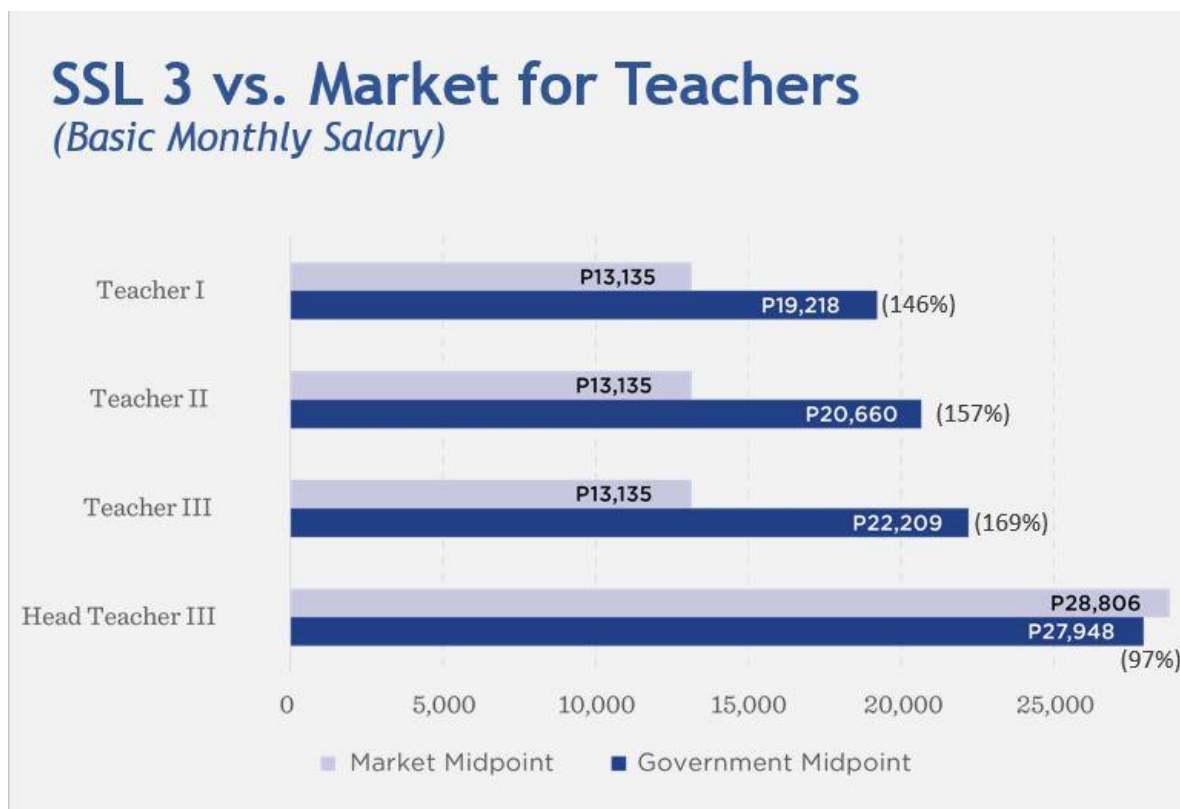
Data on the General Industry used in the study exclude education and health professionals. A customized survey for nurses and teachers found that if we compare the median of the market to the median of SSL 3 rates, it will show that nurses are already paid much higher in government than in the private sector except for Head Teacher III.

\*Government Midpoint = (Step 1+Step 8)/2

- Nurse I/SG 11 =  $(18,549+19,887)/2 = 19,218$
- Nurse II/SG 15 =  $(24,887+26,868)/2 = 25,877.5$
- Nurse IV/SG 19 =  $(33,859+36,554)/2 = 35,206.5$



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If we compare the median of the market to the median of SSL 3 rates, it will show that teachers are paid much higher in government than in the private sector.

**\*Government Midpoint = (Step 1+Step 8)/2**

- Teacher I/SG 11 =  $(18,549+19,887)/2 = 19,218$
- Teacher II/SG 12 =  $(19,940+21,379)/2 = 20,659.5$
- Teacher II/SG 13 =  $(21,436+22,982)/2 = 22,209$
- Head Teacher III/SG 16 =  $(26,878+29,017)/2 = 27,947.5$

#### WHAT ARE THE PRINCIPLES OF SSL 2015?

As with Joint Resolution No. 4, the following principles also guide the proposal to modify the Compensation and Position Classification System:

- a. All government personnel shall be paid with just and equitable compensation in line with the principle of equal pay for work of equal value.
- b. The compensation for civilian government personnel shall be comparable with those in the private sector to attract, retain and motivate a corps of competent civil servants.



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- c. The compensation for all civilian government personnel shall be standardized and rationalized across all government agencies to foster and promote social justice, integrity, efficiency, productivity, accountability, and excellence in the civil service.
- d. The government shall then establish a performance-based incentive scheme, which integrates personnel and organizational performance to reward exemplary civil servants and well-performing institutions

**WHAT IS THE SSL 2015 COMPENSATION ADJUSTMENT STRATEGY?**

As mentioned earlier, the DBM developed a proposed compensation adjustment strategy for 2016-2019 based on the results of the Compensation and Benefits Study for the Public Sector. In crafting the proposed adjustments, the following parameters were adopted:

- The minimum salary, SG 1, shall be raised from P9,000 to P11,068 a month.
- To attract and retain talent, the compensation of government personnel shall be at least 70% of the market for all salary grades.
- To recognize differences in duties and responsibilities, there shall be no salary overlaps.
- The link between pay and performance shall be strengthened, especially for those in the higher salary grades.
- The structure of the adjustment should temper the cost of benefits (i.e. GSIS premiums and PhilHealth contributions) and allow for higher take home pay, especially for those in the lower salary grades





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The study did not focus alone on scaling up basic salaries, which is pegged at a weighted average increase of 27 percent. With this strategy, government compensation is aimed to be roughly comparable with the market. But raising basic salaries alone will also entail an increase in GSIS premiums and PhilHealth contributions, as well as increase in taxes. To temper the cost impact of the compensation increase, as well as to achieve the desired market positioning and move towards a performance culture, we are introducing these two benefits on top of the basic salary:

- A mid-year/14<sup>th</sup> Month Pay equivalent to one month basic salary for all employees on top of the present year-end bonus or 13<sup>th</sup> month pay. This will account for an 8-percent increase in the annual salary; and,
- The enhanced Performance-Based Bonus or PBB, as an added bonus contingent on performance. This is equivalent to 1 to 2 months' basic salary or an 8- to 16-percent increase depending on the position. If approved, the new PBB scheme will be implemented beginning 2017.

We also recommended that adjustments be gradually released in tranches over four years. These strategies will help in building a performance-oriented culture while ensuring the financial viability of the scheme.

**Overall, these adjustments will give employees a weighted average raise of 45% through a basic salary increase, a 14<sup>th</sup> month pay, and an enhanced PBB.**





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**HOW WILL THESE COMPENSATION ADJUSTMENTS BE IMPLEMENTED?**



SSL 2015 will be implemented in four yearly tranches. For the initial round starting January 1, 2016, employees will get a quarter of the proposed salary increase, along with a mid-year/14<sup>th</sup> month pay.

For 2017, starting January 1, they will get the succeeding quarter of the salary increase, along with the 14<sup>th</sup> month pay, plus half of the enhanced PBB.

For the third tranche in 2018, also starting January 1, they will receive the third quarter of the salary increase, the 14<sup>th</sup> month pay and the full PBB.

And finally, for 2019, again starting January 1, they will get the final tranche of the salary increase, plus all the benefits previously provided.

In 2017, half of the proposed salary-based PBB shall be given only to agencies that meet their targeted organizational outputs and outcomes and the good governance conditions prescribed by the AO 25 Task Force. By 2018, the achievement of higher level outcomes at the sectoral level shall be imposed as additional conditions for the grant of the full PBB. The AO 25 Task Force shall issue the guidelines on the implementation of this scheme.



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**WHO WILL BENEFIT MOST FROM THESE COMPENSATION ADJUSTMENTS?**

**In line with the enactment of Republic Act 10653, which raised the tax exemption cap to P82, 000, half of government employees are assured of higher take home pay when SSL 2015 is implemented.** Five in every 10 civilian personnel will receive their full mid-year bonus and their full Performance-Based Bonus because these additional benefits will be tax-free. They are the 606,454 employees in civilian positions under salary grades 1 to 11 representing 52 percent of government personnel.

Those under salary grades 12 to 16, which account for 31 percent or 364,489 authorized civilian positions, will get their mid-year bonus tax-free.

**The salaries of senior professionals and executives will be significantly increased in order to raise the market competitiveness of those in the middle and higher SGs.** Upon full implementation of the compensation adjustments, the pay of senior professionals and executives will be at 70 percent of the market. As mentioned earlier, the Study found that government pay at the lower sub-professional levels matches or even exceeds those of their private sector counterparts while professionals can get as low as 41 percent of the market as they move up the ladder, middle managers only get more or less a third of what their counterparts in the private sector get, and executives are paid only about a quarter to a third as much.

Higher salaries help attract and retain critical talent. More than a proposal for a salary increase, SSL 2015 is an advocacy to further improve government service. With competitive compensation, we intend to bolster the recruitment of agencies that need to fill up vacancies in senior technical and middle management positions.

**Government agencies have always had difficulty in recruiting and retaining senior technical staff and middle managers.** According to DBM data, the number of unfilled positions in government is 191,988 or 12.53% of total authorized positions. Agencies with the highest number of unfilled positions include the Ombudsman, Commission on Audit (COA), Department of Agriculture, (DA), Department of Environment and Natural Resources (DENR), Department of Finance (DOF), Department of Health (DOH), Department of the Interior and Local Government (DILG).

Salary Grades that are hard to fill are senior technical positions from SG 21 to 25 where vacancies are between 26 to 41 percent of the total authorized positions for the respective SGs. Among the positions that belong to these SGs are senior accountants, lawyers, and division chiefs.

**Nevertheless, while the salaries of senior professionals and executives will be significantly increased, SSL 2015 will make the lower SGs even more competitive in the market given that SG 1-10 compensation matches or even exceeds those of their private sector counterparts.**



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This is how the salary schedule would look like for SGs 1 to 17 in each tranche.

## Proposed Monthly Salary Schedule

	Sample Positions	No. of Authorized Positions	SSL 3 Step 1	Proposed SSL 2015			
				1st Tranche Step 1	2nd Tranche Step 1	3rd Tranche Step 1	4th Tranche Step 1
				<b>1</b>	Utility Worker I	18,595	9,000
<b>2</b>	Messenger	4,591	9,675	10,159	10,667	11,200	11,761
<b>3</b>	Clerk I	17,250	10,401	10,883	11,387	11,914	12,466
<b>4</b>	Driver II	28,541	11,181	11,658	12,155	12,674	13,214
<b>5</b>	Carpenter II	10,347	12,019	12,488	12,975	13,481	14,007
<b>6</b>	Lab Technician I	30,196	12,921	13,378	13,851	14,340	14,847
<b>7</b>	Computer Operator I	11,180	13,890	14,331	14,785	15,254	15,738
<b>8</b>	Engg Assistant	23,486	14,931	15,368	15,818	16,282	16,758
<b>9</b>	Electrician Foreman	21,005	16,051	16,512	16,986	17,473	17,975
<b>10</b>	Legal Assistant I	14,688	17,255	17,730	18,217	18,718	19,233
<b>11</b>	Teacher I	426,575	18,549	19,077	19,620	20,179	20,754
<b>12</b>	Teacher II	114,966	19,940	20,651	21,387	22,149	22,938
<b>13</b>	Teacher III	159,409	21,436	22,328	23,257	24,224	25,232
<b>14</b>	Cashier II	16,201	23,044	24,141	25,290	26,494	27,755
<b>15</b>	Budget Officer II	40,044	24,887	26,192	27,565	29,010	30,531
<b>16</b>	Attorney I	33,869	26,878	28,417	30,044	31,765	33,584
<b>17</b>	Executive Assistant II	6,072	29,028	30,831	32,747	34,781	36,942

*The proposed SSL 2015 monthly salary figures do not include the mid-year 14<sup>th</sup> month pay and the Enhanced Performance-Based Bonus.*



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This shall be the salary schedule for SGs 18 to 33.

## Proposed Monthly Salary Schedule

SG	Sample Positions	No. of Authorized Positions	SSL 3	Proposed SSL 2015			
				1st Tranche	2nd Tranche	3rd Tranche	4th Tranche
				Step 1	Step 1	Step 1	Step 1
18	Economist III	55,181	31,351	33,452	35,693	38,085	40,637
19	IT Officer I	45,841	33,859	36,409	39,151	42,099	45,269
20	Board Sec III	11,973	36,567	39,768	43,250	47,037	51,155
21	Attorney III	11,405	39,493	43,439	47,779	52,554	57,805
22	Asst. Div Chief	20,450	42,652	47,448	52,783	58,717	65,319
23	Court Atty II	8,010	46,064	51,826	58,310	65,604	73,811
24	Division Chief	13,366	49,750	56,610	64,416	73,299	83,406
25	Director I	4,566	53,730	61,971	71,476	82,439	95,083
26	Director II	6,494	58,028	67,690	78,960	92,108	107,444
27	Director III	4,345	62,670	73,937	87,229	102,910	121,411
28	Bureau Director	2,530	67,684	80,760	96,363	114,981	137,195
29	Asst. Secretary	3,715	73,099	88,214	106,454	128,467	155,030
30	Undersecretary	632	78,946	96,354	117,601	143,534	175,184
31	Secretary	383	90,000	117,086	152,325	198,168	257,809
32	Vice President	4	103,000	135,376	177,929	233,857	307,365
33	President	1	120,000	160,924	215,804	289,401	388,096

*The proposed SSL 2015 monthly salary figures do not include the mid-year 14<sup>th</sup> month pay and the Enhanced Performance-Based Bonus.*

We want to attract the best and most talented managers and executives to join or stay in the government.

Please note that the P120,000 pay of the President under SSL 3 is the pay earned only by an Operations Manager of a consumer/manufacturing company, an IT Manager of a BPO (Business Process Outsource) company, or Project Manager of a Tech Company.

The proposed P388,096 pay of the President under SSL 2015 is the pay earned only by a senior vice-president of a financial services firm or a business unit head of a consumer/manufacturing company, or an operations head of a pharmaceutical company.





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**HOW MUCH WILL BE SPENT BY THE GOVERNMENT TO IMPLEMENT SSL 2015?**

Implementing these compensation adjustments for the 1.53 million civilian and military/uniformed personnel of the national government will cost around P225.819B in a span of four years.

<h2>Share of Increase by Category</h2>					
Category	Sample Positions	No. of Authorized Positions	Total Cost (SSL 4)	% of Total Cost	Market Position*
<b>Sub-professional (SGs 1-10)</b>	Utility Worker I Driver II Carpenter Legal Assistant	179,879	8,247,008,643.69	<b>3.65%</b>	154% to 88% of market
<b>Professional** (SGs 11-24)</b>	Budget Officer II Attorney I Economist III Division Chief	964,996***	139,439,131,453.00	<b>61.75%</b>	86% to 70% of market
<b>Middle Managers (SGs 25-28)</b>	Director I Director II Director III Bureau Director	31,301	17,027,994,416.41	<b>7.54%</b>	70% of market
<b>Executives (SGs 29-33)</b>	Assistant Secretary Secretary Senator President	4,735	8,636,618,360.16	<b>3.82%</b>	70% of market
<b>Military and Uniformed Personnel</b>	Police Officer I Sergeant Captain General	346,899	52,468,167,322.50	<b>23.23%</b>	n/a
<b>TOTAL</b>		<b>1,527,810</b>	<b>225,818,920,194.00</b>	<b>100%</b>	

\*Weighted average in relation to market is 84%. This will be much higher if the pay of Teachers & Nurses are included in the computation.  
\*\*A separate survey was conducted for Teachers and Nurses. \*\*\*Includes contractual positions

Only 3.82 percent of the total cost will go to SG 29-33; 73 percent will go to SGs 1-28 and 23.23 percent will go to the military and uniformed personnel.

**WHO ARE COVERED BY SSL 2015?**

SSL 2015 shall apply to all civilian government personnel in the Executive, Legislative and Judicial Branches; military personnel of the Department of National Defense (DND) and the uniformed personnel of the Department of the Interior and Local Government (DILG), Philippine Coast Guard (PCG), and National Mapping and Resource Information Authority (NAMRIA); Constitutional Commissions and other Constitutional Offices; Government-Owned or Controlled Corporations (GOCCs) not covered by Republic Act (R.A.) No. 10149; and local government units (LGUs).



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SSL 2015 shall cover government personnel whether regular, contractual or casual, appointive or elective; and on full-time or part-time basis.

The following shall not be covered:

- GOCCs under R.A. No. 10149<sup>2</sup> which shall be covered by a CPCS established by the Governance Commission for GOCCs (GCG) and those authorized by law and have actually adopted their own compensation and position classification system.
- Individuals whose services are engaged through job orders, contracts of service, consultancy contracts, and service contracts with no employer-employee relationship.

Considering the pendency of the passage of a pension reform law establishing a sustainable and just pension system for military and uniformed personnel, the indexation of pension benefits of retired military and uniformed personnel with the base pay for those in the active service shall be suspended insofar as the base pay increase prescribed under SSL 2015.

#### **WHEN WILL SSL 2015 BE IMPLEMENTED?**

For National Government employees, the SSL 2015 shall be implemented in four yearly tranches and the initial implementation shall take effect on January 1, 2016.

The President, Vice-President, Senators, and Congressmen are covered by SSL 2015. However, the implementation of the proposed compensation adjustment with respect to these officials, including the regular members of the Cabinet, shall be effective July 1, 2016.

The compensation adjustment for the President and Vice-President shall take effect only after the expiration of the term of the incumbent President and Vice-President during the time when the increase was approved [*Section 6, Article VII of the Constitution*].

For members of Congress, the implementation of the salary increase shall take effect after the expiration of the full term of all the members of the Senate and the House of Representatives that approved the increase [*Section 10, Article VI of the Constitution*].

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<sup>2</sup> AN ACT TO PROMOTE FINANCIAL VIABILITY AND FISCAL DISCIPLINE IN GOVERNMENT-OWNED OR -CONTROLLED CORPORATIONS AND TO STRENGTHEN THE ROLE OF THE STATE IN ITS GOVERNANCE AND MANAGEMENT TO MAKE THEM MORE RESPONSIVE TO THE NEEDS OF PUBLIC INTEREST AND FOR OTHER PURPOSES



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**WILL THE IMPLEMENTATION OF THE COMPENSATION ADJUSTMENT FOR LGU PERSONNEL BE SUBJECT TO THE PERSONNEL SERVICES LIMITATION PURSUANT TO THE LOCAL GOVERNMENT CODE?**

The salaries, allowances, benefits and incentives of LGU personnel shall be based on the rates prescribed under SSL 2015 and those determined by the DBM for lower income classes, subject to the PS limitation under Sections 325 and 331 of R.A. No. 7160 and authority from the *Sanggunian* as provided under Sections 447(a), 458(a) and 468(a) of R.A. No. 7160.

In the implementation of the salary increases, LGUs shall likewise ensure compliance with the following:

- (a) The salaries of LGU personnel that may be authorized shall not exceed the percentage of the Salary Schedule prescribed for the respective LGUs' income classification stated below:

Percentage of the Salary Schedule		
	For Provinces/Cities	For Municipalities
Special Cities	100%	
1st Class	100%	90%
2nd Class	95%	85%
3rd Class	90%	80%
4th Class	85%	75%
5th Class	80%	70%
6 <sup>th</sup> Class	75%	65%

- (b) The rates of RATA shall be determined based on the above income class schedule.
- (c) The basic pay of barangay personnel shall be in the form of honoraria which shall not exceed the percentage of the Salary Schedule adopted by the LGU to which it belongs. They may likewise receive year-end bonus based on the monthly honoraria as of October 31 of the year and cash gift of P5,000.  
However, the minimum year-end bonus of One Thousand Pesos (P1,000.00) for the punong barangay and Six Hundred Pesos (P600.00) for other mandatory barangay officials shall not be subject to the PS limitation.
- (d) In case of partial implementation of the authorized compensation rates, the same shall be at uniform percentage across all positions for every LGU.