

Challenges in the implementation of the PBB scheme in NGAs

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In 2012, the government adopted a performance-based incentive system (PBIS) for employees in the executive department by virtue of Executive Order (EO) 80. The PBIS was developed to “motivate higher performance and greater accountability in the public sector and ensure the accomplishment of commitments and targets” of the social contract as specified in EO 43, series of 2011 and the *Philippine Development Plan (PDP) 2011–2016*. It is composed of the performance-based bonus (PBB), a top-up-based bonus premised on the delivery of units or individual contributions to the accomplishment of agency targets, and the productivity enhancement incentive (PEI), an across-the-board bonus amounting to PHP 5,000 per employee.

This *Policy Note* discusses issues on the processes concerning the implementation of PBB in national government agencies (NGAs) and attached agencies, government-owned or -controlled corporations (GOCCs), constitutional commissions, and other executive offices.¹

¹ This process evaluation is part of a bigger study assessing the PBB implementation in the Philippine bureaucracy. The study covered three sectors/groups, namely, NGAs, GOCCs, constitutional commissions, and other executive offices; the Department of Education; and state colleges and universities. Three separate process evaluations were conducted in view of the differences in the PBB implementation owing to the flexibility given to the agencies to suit the PBB system to the nature of their operations.

Data were gathered through key informant interviews (KIIs) and focus group discussions (FGDs) among PBB focal persons, as well as rank-and-file employees employees, from 189 government entities.

The PBB scheme

Maslow’s hierarchy of needs espouses the idea that incentives motivate employees (Maslow 1943). This has inspired many agencies worldwide to use a performance incentive scheme as a tool for organizational effectiveness (Amah et al. 2013). The presumption is that these rewards will yield potential benefits for both individuals and organizations.

In the Philippines, the PBB scheme has been designed as a platform not only to reward performance but also to inspire public servants to perform better. It seeks to transform the management of performance to foster a culture of accountable public service, as well as produce concrete and visible improvements in the delivery of public goods and services. Its ultimate aim is to serve the Filipino public more effectively and efficiently.

PBB is characterized by a system of ranking delivery units and personnel within these units according to

Figure 1. Results-Based Performance Management System Framework



PDP = Philippine Development Plan; BSC = Balanced scorecard

Source: DAP (2019)

their performance. The performance incentive is based on two levels, namely, the delivery unit and individual contributions. In categorizing groups, the department secretaries are authorized to rank the bureaus and attached agencies under their respective departments according to performance, and determine their eligibility to receive PBB. They may also modify the ranking system to best fit their operations. An Inter-Agency Task Force (IATF)² was established by Administrative Order (AO) 25 to carry out tasks relevant to the implementation of PBB.

The PBIS should be seen in the context of the results-based performance management system (RBPMS), the single performance management system for the whole of the executive branch established through AO 25 (Figure 1). As early as 2000, the government has

² The IATF is chaired by the Department of Budget and Management and cochaired by the Office of the Executive Secretary. Its members are the Department of Finance, the National Economic and Development Authority, the Presidential Management Staff, the Civil Service Commission, the Career Executive Service Board, the Commission on Audit, the Office of the Ombudsman, the Governance Commission for GOCCs, the Commission on Higher Education, and the National Competitiveness Council (representing the private sector). The Development Academy of the Philippines serves as secretariat and technical resource institution of the Task Force.

sought to heighten accountability for results through performance and budget reforms, starting with the development of a unique model of performance-based budgeting known as the organizational performance indicator framework (OPIF). The RBPMS thus utilizes the five key result areas set by the President, the OPIF, as well as the PDP results matrix as underlying frameworks.

PBB through the years

Fiscal Year (FY) 2012 was the pilot implementation year of PBB. For that year, regular, contractual, and casual employees who had been in government service for at least four months as of November 30, 2012 qualified to receive PBB. Performance indicators were laid down by AO 25 and served as basis for the government to set up a system for incentives and for validating the accuracy of documentary requirements submitted to IATF.

To qualify for PBB, an agency covered by the PBIS must

1. meet all good governance conditions set annually by the task force;
2. achieve at least 90 percent of each performance target set for the agency;

3. rank eligible bureaus (delivery units) and the individuals within them; and
4. submit accomplishment reports on time.

In terms of targets, PBIS-covered departments and agencies must achieve at least 90 percent of their

1. performance targets for their major final outputs, support to operations, and general administration and support services submitted to the Congress; and
2. priority program targets agreed with the President under the five key result areas of the Aquino Social Contract, under EO 43, series of 2011.

The FY 2013 served as the harmonization phase, during which the RBPMS and the strategic performance management system (SPMS) prescribed by the Civil Service Commission (CSC) were put in place. Thus, the guidelines on PBB were updated to implement the two systems. Departments were expected to submit an improved set of performance targets and indicators. In FY 2014, they aligned their targets with their smallest operational units and additional conditions were also added on top of earlier good governance conditions. In turn, the amount of bonus was increased.

Under the existing implementation policy for PBB, only regular officials and employees of departments and NGAs who occupy plantilla positions and have an employment relationship with these departments and agencies may be covered by PBB. However, these institutions must first meet the eligibility criteria before they can qualify for the grant of PBB. For GOCCs covered by the GOCC Governance Act of 2011, the implementation of PBIS is led by the Governance Commission for GOCCs.

The requirements for PBB eligibility have changed across the years as discussed above. As shown in Figure 2, agencies follow certain procedures per PBB guidelines issued by the IATF. Crucial in the determination of the eligibility of agencies is their compliance with the eligibility requirements. These include, among others, meeting the good governance conditions based on the performance drivers of RBPMS, namely, financial stewardship, internal process, and leadership, learning, and growth. In 2012, for instance, IATF set four good governance conditions, with three under financial stewardship and one under internal process. These included the establishment of a transparency seal, posting of bid notices and awards on the website of

Figure 2. The performance-based bonus scheme



PBB = performance-based bonus; DBM = Department of Budget and Management; AO = Administrative Order
Source: DAP (2019)

the Philippine Government Electronic Procurement System, liquidation of all cash advances of officials and employees, and establishment of a citizen's charter. For departments and NGAs eligible for PBB, their delivery units are forced-ranked according to their accomplishment of targets. They are categorized under the following groups: best (top 10 percent of delivery units), better (next 25 percent), good (remaining 50 to 65 percent), and poor delivery units (those that failed to accomplish 90 percent of their targets).

In the early years of the PBB implementation, employees were also forced ranked within the delivery units under the following groups: best performers (top 10 percent of ranked employees in a bureau); better performers (next 25 percent); and good performers (next 65 percent). Thus, the PBB incentive depended on both the performance of the institution and the performance of the individual (Table 1).

Table 1. PBB incentives (in PHP), FY 2012 to FY 2015

Individual	Best Delivery Unit	Better Delivery Unit	Good Delivery Unit
Best	35,000	25,000	15,000
Better	25,000	13,500	10,000
Good	10,000	7,000	5,000

PBB = performance-based bonus; PHP = Philippine peso; FY = fiscal year
Source: PPP (2015)

Such forced ranking of the performance of individuals was discontinued in 2016, consistent with total quality management principles that measure performance only of delivery units. Thus, incentives are now merely dependent on the quality of performance of the institution, with the incentives being a proportion of the employee's basic salary (Table 2).

Table 2. PBB incentives, FY 2016 to present

Performance Category	Multiple of Basic Salary (in %)
Best	65.0
Better	57.5
Good	50.0

PBB = performance-based bonus; FY = fiscal year
Source: DAP (2018)

Individual employees who receive a rating of "Below Satisfactory" under the annual Performance Appraisal System of the CSC will not receive any amount under the PBB scheme. Moreover, employees in government entities considered to be having a poor performance will not be eligible to receive any amount since their respective offices failed to meet the minimum performance criteria.

Five years ago, the World Bank (2014) assessed the PBB scheme in a larger context of human resource issues. It found a positive impact of PBB on government performance as measured by results of a perception survey of 4,500 officials from eight departments on a variety of human resource management dimensions.

The report recommended, among others, the restructuring of PBB to give greater weight to the group-based bonus than the individual bonus. It also called for a gradual relaxing of the good governance conditions as criteria. It found said conditions to be too strict for holding the whole department responsible for tasks shouldered by few specific units. The conditions were also time consuming and detracted the focus from the core departmental performance. The World Bank study also urged the government to strengthen review and independent validation by the Department of Budget and Management (DBM) and IATF. Over time, all of these recommendations have been adopted.

Implementation issues and concerns

Despite the adoption of the recommendations of the World Bank, this study still found several concerns regarding the implementation of the PBB scheme. Based on the results of KIIs and FGDs, these concerns include the following:

Need to further train focal point persons

The focal point persons have the responsibility to represent their agencies in the secretariat meetings and general assemblies and cascade the information to their agencies. However, the respondents claimed that said information were not cascaded to the employees or were not understood by the same. Based on the



The government has adopted a performance-based incentive system for employees in the executive department to motivate higher performance and greater accountability in the public sector. The system embraces Maslow's hierarchy of needs, which espouses the idea that incentives motivate employees. Through the years, however, its implementation has been marred by issues, such as lack of fairness and the resulting undue competition among employees. Photo: PIDS

feedback of some employees during FGDs, the perceived lengthy memoranda, complex vocabulary, and insufficient platforms for orientation were the potential reasons for this gap.

Varying PBB requirements across the years

The yearly memorandum orders concerning the guidelines on the grant of the PBB have provided, among others, the different requirements and their respective deadlines. According to the respondents, their compliance with said requirements has become more tedious over time, to the extent that meeting such demands tend to jeopardize concerned personnel's major functions. As stated earlier, the eligibility criteria have increased year after year.

Apparent gap in SPMS and PBB

While the SPMS is supposed to be integrated in the PBB system, some of the respondents claimed that not all efforts toward compliance with the PBB requirements were within their Office Performance Commitment and

Review and Individual Performance Commitment and Review (IPCR) targets. As such, the hours spent in complying with PBB requirements were allegedly not counted in their IPCRs. Moreover, individuals who ranked very satisfactorily in their IPCRs did not necessarily get rewarded as better under the PBB.

Perceived lack of fairness

The best-better-good-poor rankings are perceived by the respondents as unfair, resulting in undue competition within the agency. Not all personnel within the "best" department had to perform outstandingly. This follows that performing employees may not be rewarded properly if they belong to an "underperforming" delivery unit.

Some agencies are now pursuing certain schemes not allowed in the PBB system. These include the sharing of incentives among those qualified and those who are not, and manipulation of ratings, such as undertargeting and overrating to pacify employees who are not part of the better or best delivery units.

Recommendations

Improve process of cascading of information on PBB

To enhance the process of cascading PBB information to all employees, PBB focal point persons, along with their co-focal point persons, should be provided with a more intensive training program that discusses their specific responsibilities and how to carry these out effectively.

Moreover, the program should enable the employees to understand PBB within a broader reform context across these agencies. Its rewards should not be merely equated to quantity of tasks but also quality of work. Employees in agencies that are “overwhelmed” with requirements may actually be discouraged rather than incentivized. It is critical that reform roadmaps in each agency be synced with the use of PBB.

Minimize frequency of changes of PBB requirements

All respondents lamented the increasing number of requirements through the years. One respondent even argued that the increase in requirements has made it more difficult for agencies to be eligible for the incentive. Nonetheless, another respondent considered the increase as a sign of “improvement” of the process. The yearly changes in PBB guidelines are confusing and generate documentary burdens on government entities. Thus, DBM and IATF should institute changes in PBB requirements less frequently and only after strong preparation for cascading information.

Revisit the design and rating system of PBB

With the perceived lack of fairness and the resulting undue competition among employees, the PBB design

and rating system for individuals should be revisited by IATF. There may be conflict between individual and institutional performance, and it is unclear whether PBB is focusing on one, to the detriment of the other. ■

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