

Republic of the Philippines  
PUBLIC SECTOR LABOR-MANAGEMENT COUNCIL  
CSC Building Constitution Hills  
Diliman, Quezon City

**GRANT OF COLLECTIVE NEGOTIATION AGREEMENT (CNA) INCENTIVE  
FOR GOVERNMENT OWNED OR CONTROLLED CORPORATIONS  
(GOCCs) AND GOVERNMENT FINANCIAL INSTITUTIONS (GFIs)**

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**RESOLUTION NO. 02, s. 2003**

Whereas, Section 3 of Article XIII of the Constitution guarantees the right of government employees to self-organization, collective bargaining and negotiations;

Whereas, the Council under PSLMC Resolution No. 04, s. 2002, provides the grant of CNA Incentive in National Government Agencies, State Colleges and Universities and Local Government Units and the funding sources therefor;

Whereas, in line with the unified compensation policy under the Constitution and for equity, the said benefit may be enjoyed by employees in GOCCs/GFIs;

Whereas, Section 3 of Memorandum Order (MO) No. 20 of the President, dated June 25, 2001 which covers GOCCs/GFIs exempt or not following the Salary Standardization Law (SSL), provides that the grant of new or additional benefits not in accordance with the SSL requires prior approval by the President;

Wherefore, the Council resolves as it hereby resolved, to adopt the following guidelines for all GOCCs/GFIs whether covered by or exempted from the SSL;

Section 1. In recognition of the joint efforts of labor and management to attain more efficient and viable operations, a CNA Incentive may be provided in the CNA to be granted to the rank-and-file.

Section 2. The CNA must include, among others, provisions on improvement of income and productivity, streamlining of systems and procedures, and cost cutting measures that shall be undertaken by both the management and the union so that the operations of the GOCC/GFI can be undertaken at a lesser cost.

Section 3. The CNA Incentive may be granted if all the following conditions are met by the GOCC/GFI:

- a) Actual operating income at least meets the targeted operating income in the Corporate Operating Budget (COB) approved by the Department of Budget and

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Management (DBM)/Office of the President for the year; For GOCCs/GFIs, which by the nature of their functions consistently incur operating losses, the current year's operating loss should have been minimized or reduced compared to or at most equal that of prior year's level;

- b) Actual operating expenses are less than the DBM approved level of operating expenses in the COB as to generate sufficient source of funds for the payment of CNA Incentive; and
- c) For income generating GOCCs/GFIs, dividends amounting to at least 50% of their annual earnings have been remitted to the National Treasury in accordance with the provisions of Republic Act No. 7656 dated November 9, 1993.

Attached as Annex "A" is the illustration showing how these conditions are met based on the financial statement.

Section 4. For purposes of this Resolution, the following terms are defined as follows:

- a) Corporate Operating Budget – refers to the budget of a government owned and/or controlled corporation/government financial institution consisting of estimates of revenues, expenditures and borrowings. This is prepared prior to the beginning of the fiscal year and recommended by the governing board of the corporation for consideration and final approval of the President through the DBM.
- b) Actual operating income - refers to gross income/revenues generated from the exercise of the corporation's regular functions as mandated by law. This excludes revenues not recurring in nature, such as interest income, proceeds from the sale of scrap and/or obsolete equipment, materials and/or real estate assets, which sale is not the main function of the corporation.
- c) Actual operating expenses - refer to all expenses incurred by the corporation in the conduct of its regular functions. This excludes non-cash items like allowance for bad debts, depreciation/depletion expense, losses from foreign exchange and similar expenses.
- d) Operating loss – refers to the excess of actual operating expenses over actual operating income/revenue.

Section 5. Only savings from operating expenses, as referred to in Section 3 above, generated after the signing of the CNA, shall be used for the CNA Incentive. Specifically, savings refer to the difference between the approved COB level and actual expenses incurred, free of any obligation or encumbrance and which are no longer intended for specific or mandatory purpose/s. It may be derived from any of the following:

- a) Completion of the work/activity authorized in the COB at a lesser cost than the allocation for the purpose;
- b) Unutilized allocation for compensation and related cost pertaining to vacant positions;

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- c) Cost saving measure and efficiency as a result of improved systems and procedures, where the corporation was able to meet and deliver the required or planned targets, programs and services authorized in the COB at a lesser cost.

Section 6. Savings referred to in Section 4 above shall be apportioned, as follows:

- a) Fifty percent (50%) for CNA Incentive.
- b) Thirty percent (30%) for improvement of working conditions and/or to be added as part of the CNA Incentive, as may be agreed upon in the CNA.
- c) Twenty percent (20%) to be retained by the GOCC/GFI to be used for the operations of the agency to include among others, purchase of equipments critical to the operations and productivity improvement programs.

Computation of savings for CNA Incentive is shown in Annex "A" hereof.

Section 7. The CNA may include a provision allowing higher incentives to employees in offices or units that contributed more either in profitability, productivity or cost savings.

Section 8. The CNA Incentive may be granted every year that savings are generated during the life of the CNA.

Section 9. The payment of CNA incentive shall be in accordance with the provisions of this Resolution and subject to accounting and auditing rules and regulations. Should the payment of CNA Incentive be disallowed by the Commission on Audit for violation of the herein provisions, pertinent COA rules and procedures shall apply.

Section 10. As provided in Section 3, Rule VIII of the Rules and Regulations to Govern the Exercise of Right of Government Employees to Self-Organization, the following are not negotiable:

- a) Increase in salary emoluments and other allowances not presently provided for by law;
- b) Facilities requiring capital outlays;
- c) Car plan;
- d) Provident Fund;
- e) Special Hospitalization, medical and dental service;
- f) Rice/sugar/other subsidies;
- g) Travel expenses;
- h) Increase in retirement benefits.

Section 11. This Resolution shall apply to all collective negotiation agreements, and supplements thereto, entered into after the effectivity hereof.

Section 12. For GOCCs/GFIs exempted from or not following the SSL, Section 3 of MO No. 20 shall also apply in addition to the herein provisions.

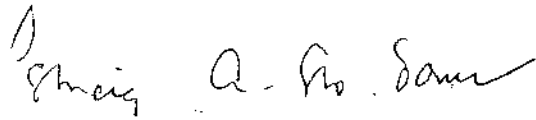
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Section 13. This Resolution shall take effect fifteen (15) days after its publication in a newspaper of general circulation.

ADOPTED AND APPROVED this 19th day of May, 2003 in Quezon City, Philippines.



**KARINA CONSTANTINO DAVID**  
Chairperson, Civil Service Commission  
CHAIRMAN



**PATRICIA A. STO. TOMAS**  
Secretary, Department of Labor and Employment  
VICE-CHAIRMAN



**SIMEON A. DATUMANONG**  
Secretary, Department of Justice  
MEMBER



**JOSE ISIDRO CAMACHO**  
Secretary, Department of Finance  
MEMBER



**EMILIA T. BONCODIN**  
Secretary, Department of Budget and Management  
MEMBER

## Illustrations

GOCC A, which meets the conditions in Sections 3.a, 3.b and 3.c of the Resolution, may grant the CNA Incentive as illustrated below:

## Compliance with Sections 3.a and 3.b

(In Thousand Pesos)	Per Approved COB (Projection)	As Audited (Actual)	Variance
Operating Income	150,000	150,000	0
Less: Operating Expenses	(120,000) a/	(100,000) a/	20,000 b/
Net Operating Income	<u>30,000</u>	<u>50,000</u>	<u>20,000</u>

a/ Excluding payment of CNA Incentive

## Compliance with Section 3.c

(In thousand pesos)

I. Revenues:		
Operating Income		150,000
Non-Operating Income		10,000
Total Income		<u>160,000</u>
II. Expenses:		
Operating Expenses		
Personal Services	30,000	40,000 *
MOOE	40,000	46,000 **
Equipment Outlays	30,000	30,000
Sub-total, Operating Expenses	<u>100,000 a/</u>	<u>116,000</u>
Non-Operating Expenses:		
Non-Cash Expenses		5,000
Others		5,000
Sub-total, Non-Operating Expenses		<u>10,000</u>
Total Expenses		<u>126,000</u>
III. Net Profit Before Income Tax		34,000
IV. Income Tax		8,000
V. Net Profit After Income Tax		<u>26,000</u>
Dividend Payable to the National Government (50%)		<u>13,000</u>

\* Including payment of incentive in the amount of P10 Million, net of P4 million to be retained by GOCC/GFI

\*\* Including amount used for improvement of working conditions which as an alternative may also be used for incentive

b/ Amount to be used for CNA Incentive

Distribution: 20,000

(In thousand pesos)

Fifty percent (50%) for CNA Incentive 10,000

Thirty percent (30%) for improvement of working conditions and/or to be added as part of the CNA Incentive 6,000