Comparative Analysis of Salary Standardization Law under Four Administrations: The Philippine Experience

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Abstract. The study examines the adjustments in the salary of civilian public servants in the Philippines under the Salary Standardization Law (SSL) since it was first implemented in 1989. In showing the comparison of the increases made under four different administrations, the study made use of the compounded annual growth rate (CAGR) analysis. Results revealed that in certain SSLs, lower-ranked public servants received higher percentage of salary increase compared to their higher-ranked counterparts. Salary scales sometimes tended to grant higher increases for higher grades and, at times, for lower grades. There were periods wherein public servants enjoyed their salary increases more because of lower inflation rate. Past SSLs have made the salaries among the staff and supervisory-level public servants comparable to their private sector counterparts. Earlier SSL implementations have widened the wage gap between the lowest- and top-ranked public servants. However, the most recent SSL has made adjustments to address this issue. Future adjustments in the salary of public servants in the country should continue to take into consideration projected inflation rates and wage gap issues. This study showed that CAGR analysis is an effective tool that could guide analysts and decision-makers to draft policies that are based on empirical and historical data.

***Keywords*:** Salary Standardization Law, compounded annual growth rate, Philippine administrations, public servants

Problem Statement

The quality of service provided by public servants is indicative of the overall performance of the government. Social scientist Shamsul Haque (2001) stated that, "the level of public service performance perceived by citizens often shapes the public's perception of the service, which is crucial for maintaining a sense of pride. Thus, in the public service, pride and performance are mutually interdependent" (p. 99). The level of motivation and commitment of the worker reflects the sense of pride in doing one's work. Thus, adequate motivation, because of its impact on public service pride and employee morale, is essential for effective job performance (Haque, 2001).

The principle of "equal pay for equal work" is an essential motivation to recruit and retain workers. Results of a study by Rhynes et al., (2004) suggest that pay is much more important to people's actual choices and behavior than what they self-report of what motivates them in their work. Meaning, in most surveys, people would

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normally undermine the importance of their pay or salary as a motivating factor in their job performance, as it shows inconsistencies in their actual behavior. Pay is one of the most important motivating factors that affect performance. People would normally do their work to the best of their ability if they are properly compensated. For this reason, organizations, including the government, have been sensitive in making sure that their compensation package is competitive in their industry.

The main purpose of the article is to show the historical increases in the salaries of public servants in the Philippines using the compounded annual growth rate (CAGR) analysis since the implementation of the first Salary Standardization Law (SSL) in 1989 and subsequent SSLs, and to examine how four administrations implemented these laws across different salary grades. This article also shows the comparison of the SSL-CAGR of subgroups of public servants (sub-professionals, professionals, managers, and executives) across different administrations. And when the average inflation rate in these periods was considered, it highlights which administration's SSL was more responsive in addressing the real purchasing power of public servants. Based on the findings, the researcher recommends a policy agenda for future SSL.

Related Studies

Compensation Theories

People constantly engage in social comparisons and compare themselves to others, especially among their peers. Social comparison theory deemed that such thought process is a fundamental psychological mechanism influencing people's judgment, experiences, and behavior (Corcoran et al., 2011). Social comparison theory is more common among individuals when it is related to their salaries and pay-level satisfaction (Harris et al., 2008; Williams et al., 2006). We benchmark the wages of public servants with their counterparts in the private sector, which are paid higher than those serving in government (INCITEGov, 2009).

Social equity theory may be used in comparing the salary levels of public servants. The National Academy of Public Administration (n.d., as cited by American Society for Public Administration, n.d.,"What is social equity?") defines it as:

> "[t]he fair, just and equitable management of all institutions serving the public directly or by contract; the fair, just and equitable distribution of public services and implementation of public policy; and the commitment to promote fairness, justice, and equity in the formation of public policy."

The theory implies that in implementing public policies, such as salary increases, the ideals of social justice and fairness are delivered equitably, taking into consideration the various economic factors and skill levels of individuals.

In the Philippines, college graduates with Latin honors—summa cum laude, magna cum laude, and cum laude—can enter government service, without taking the civil service exam under Presidential Decree (PD) 907 dated 11 March 1976 entitled, "Granting Civil Service Eligibility to College Honor Graduates." Also, a master's degree or any advanced degree related to one's profession is one of the requirements for promotion to a supervisory position in government. Subsequently, once promoted, there are added compensation and responsibilities. This organizational practice adheres to the human capital theory, which proposes that the income of the individual

is commensurate to the level of training received through formal education, and on the job-training and work experience (Lynch, 1991). Human capital, which is considered an important asset of any organization, is defined as knowledge, skills, attitudes, aptitudes, and other acquired traits contributing to production (Goode, 1959). The return to education is based on two interrelated channels: increased earnings for the worker and higher productivity for the firm, as well as increased employment probabilities (Bloch & Smith, 1977). Empirical evidence in developed countries shows that the estimate average return additional year of education is 5-10% (Wilson, 2002, as cited in Fleischhauer, 2007)

Structural theory proponents rationalize the huge wage gap between executives and ordinary workers because compensation is a direct function of the number of compensation levels in an organization. The taller the organization's structure, the greater the earnings of the top executives (Simon, 1957; Makri, 2012). This is true in the Philippine bureaucracy because the first SSL of 1989 defined the qualifications and functions of 33 salary grade level positions and the wage gap has widened in every succeeding SSL (INCITEGov, 2009). These wage differentials between management and rank-and-file employees may be a way to maintain cultural norms and social standards at different levels of the hierarchy. While the focus of the structural theory is internal, contingency theory focuses on the external environment in which the organization operates as the prevailing global economic situation and the huge potential of the industry (Trevor, 2011).

Discrimination in pay in the labor market can exist based on observable characteristics like demographic profiles such as age, sex, ethnicity, etc. The modern economic theory of discrimination was pioneered by Gary Becker (1957, as cited in England & Levin, 1989) where he argued that employers, workers, or customers may have a "taste for discrimination" (p. 240). This means that discriminators are willing to pay a price to discriminate. Some employers discriminate in response to their customers' or workers' tastes rather than because of their own discriminatory tastes (England & Levin, 1989).

However, discrimination in pay may not exist in Philippine government service because the pay structure is very transparent. In most instances, public servants are aware of the salary grades of their co-workers simply based on position and it is the same regardless of age, gender, or ethnicity. This is unlike in private firms where pay structures of most managers and executives are kept private and may vary based on various factors, including the negotiation skills of the individual. In government service, just like in any organization, discrimination does occur in the hiring process.

Personnel Services in Government

Law and the national budget regulate salary adjustments in government service. Even if there is a law that mandates periodic increases in compensations of public servants, it still requires the passage of implementing rules and guidelines from both the senate and congress to ensure that there would be enough government revenue to accommodate such adjustments. The lack of government funds delayed the implementation of Republic Act (RA) 6748 or the Compensation and Position Classification Rationalization Act, which is more commonly known as the SSL 1 (Endriga, 1997).

Personnel services (PS) accounts for the largest share (27%) of the national budget in 2016. The amount may also be much bigger if you consider that portions of the allotment (PHP241.8 billion) to local government units (LGUs) went to salaries of their employees. This only shows that much of the government revenue goes to the salaries of public servants, including the military and other members of the bureaucracy.

The expenditure for PS in 2016 also reflects a nine percent increase over the previous year to support the full implementation of the SSL 3, which primarily aimed to adjust the salary of government employees and make it comparable to the salary being given in the private sector (Department of Budget and Management [DBM], 2016). Lawmakers assumed that by leveling the compensation, government service will attract equally talented and competent individuals and, thus, improve the overall efficiency of the bureaucracy. But empirical studies show mixed results. Van Rijckeghem and Weder (1997) reported that countries paying higher government wages are less corrupted. However, other studies found that such a negative relationship is either not robust or does not exist. Treisman (2007) suggests that the lack of reliable data is the main reason for this controversy.

Philippine Salary Standardization Law

The SSL (RA 6748) was first initiated in 1989 under the Corazon Aquino administration. Its primary goals were to set a basis for the basic salary of government employees and to benchmark it against the pay scale of private employees. Employees who perform high-risk tasks like doctors and military receive additional allowances and hazard pay. The SSL does not cover government-owned and -controlled corporations or GOCCs, which are non-tax revenue generating organizations because they need to attract highly competent individuals.

Since its inception, SSL has undergone three adjustments to reflect changes in the market brought about by inflation and an improving economy. The second SSL (SSL 2; Executive Order [EO] no. 164, s. 1994) was implemented from 1994 to 1997, a year before President Ramos stepped down from office. Adjustments for SSL 2 were distributed over four years to allow similar gradual increases in the government budget. One provision in the SSL is that adjustments, or new SSL, should be made within three years since its last implementation. Thus, with four years of gradual adjustments, the next SSL should start implementation at most seven years after the previous one was started.

President Arroyo served in office for ten years because she took over the four remaining years of the six-year term of President Estrada, who was ousted from office in 2000. Then she ran successfully in 2004. Thus, there was no SSL in the Estrada administration. Under the Arroyo administration, salaries of public servants were increased twice. The first was the interim SSL, which consisted of an across-the-board increase of PHP1,000 (2006; Administrative Order [AO] No. 144, s. 2006;) and a 10% salary increase for two years in 2007 and 2008 (EO 611, s. 2007; EO 719, s. 2008). The third SSL (SSL 3; Senate and House of Representatives Joint Resolution No. 4, s. 2009) started in 2009 and was fully implemented in 2012. It can be assumed that the five-year gap between the official SSL 2 (1997) and SSL 3 (2012) was due to various economic and political factors locally and internationally during this period: the Asian Financial Crisis in 1997, the second EDSA revolution in 2001, the global

bubble burst of the Internet economy in the early 2000s, and the global recession caused by the financial collapsed of the US housing market in 2008.

The fourth SSL (SSL 4; EO 201, s. 2016.) was approved in the latter part of 2015, before the Benigno Aquino III administration ended, and increases were given in four tranches starting 2016 until 2019. After just a few months in office, the Duterte administration announced that there would be an increase in the salary of military personnel, and this took effect in 2018. The civilian personnel salary increase would come a year later. The executive expedited the implementation of SSL 5 at the beginning of 2020 with the enactment of RA 11466, or "An Act Modifying the Salary Schedule for Civilian Government Personnel and Authorizing the Grant of Additional Benefits, and for Other Purposes."

Wage Comparison among Public Servants

In 2008, the entry level salary for government clerks was an average of USD220 per month, higher than their counterparts in China, India, Indonesia, Thailand, and even Malaysia. At the same time, however, top government officials received one of the lowest salaries at USD1,224 per month, although this was a bit higher than those in similar positions in China and India. In terms of wage gap differential, a top government official in the Philippines receives about five times more than an entry level clerk in public office (INCITEGov, 2009).

The Philippine report "Rationalizing Public Sector Compensation," published by USAID in 2009 shows that the SSL 3 enacted in 2008, which was implemented in four tranches from 2009 until 2012, narrowed the gap between the basic salary of public servants and private personnel only in the entry-level and staff positions. At the end of 2012, the difference was only less than two percent from salaries grades 3-12. At the mid-level management level (salary grades 18-24), private sector employees are slightly better off than those in the public sector by almost 25%. But the wage gap was wider in the senior level position and could reach more than several hundred percent difference between public sector and private sector executive level management officials. The chief executive officer (CEO) of a multinational corporation receives five times more than the country's president, the highest government official in the country (INCITEGov, 2009).

Masahiro Nozaki, in his 2011 International Monetary Fund study, "Assessment of Government Wage and Employment Policies," concluded that the salary level of civil servants, particularly the public school teachers, appears competitive vis-à-vis private sector wage. This indicates that SSL 3 helped improve the competitiveness of the public servants' salaries. Nozaki also mentioned that performance-based pay could enhance incentives for government employees, but performance assessment is inherently difficult in the public sector. Institutional arrangements, like political appointees in executive positions, should be carefully designed and stakeholders consulted from an early stage to avoid demoralization in the bureaucracy.

Public Sector Wages and Work Performance

Some studies showed that lowly-paid public servants are not motivated to work productively and improve their quality of service to the community. In response, the government adjusted their salaries to make it more competitive with their counterparts in the private sector. However, the adjustments were still inadequate,

particularly for those occupying executive positions since their counterparts working in the private sector earn almost three times more. To compensate for such income disparity, a few of these public officials resort to different coping strategies to supplement their income, such as demanding bribes or informal payments for services that are supposed to be free of charge or misusing public resources for private gains (Chene, 2009). Government officials and employees justify this practice as means to supplement their income to make them at par with those of their counterpart in the private sector.

In most cases, governments in developing and developed countries addressed the issue of corruption and improved public sector performance and efficiency through an incentive mechanism, such as increased salaries and performance-based bonuses. They matched this with a system of monitoring that allows for transparency and accountability of work through the institution of laws and policies that deter poor performance and corruption (Tanzi, 1998). In the Philippines, less than 10% of public servants have enough savings and have invested in their future (Peñalosa, 2014). This may partly explain the pervasiveness of resourcefulness of some employees in government offices. Thus, to address this issue, there is an urgent need to improve the capabilities of public servants to handle their personal finances and prepare for their future.

Public Sector Wages and Corruption

Various studies have underscored economic and social progress, the rule of law under good governance, democratic values, and strong civil society as some of the basic prerequisites to building a national integrity system to fight corruption in various forms and at various levels (Langseth, 1999). One of the factors that affect bureaucratic corruption is the low level of public sector wages (Tanzi, 1998). In the Philippines, there is a social tolerance of bureaucratic corruption at all levels because public servants need to augment their meager income (Peñalosa, 2014).

If the SSL 3 has already addressed the issue of competitiveness of the salary of public servants vis-a-vis the private sector, then it is expected that public service would have improved because well-paid public servants are generally well-motivated. But such is not the case as evidenced by the Global Prosperity Index (Legatum Institute, 2013) that showed the poor rating in good governance by the Philippine government highlighted by the prevalence of perceived corruption (73.3%) in business and government service (Legatum Institute, 2013). It may be a case that SSL3 has only addressed the issues of pay motivation in the rank-and-file, but not in the senior position, where larger wage differential between public and private sector employees exists. This income disparity was more evident in certain professions, like lawyers, doctors, engineers, and IT personnel. These are the qualifications of people who occupy high-ranking government positions (INCITEGov, 2009). However, the lack of motivation in the workplace can be caused by several factors other than wage disparity. Among them are stressful environment and heavy workload, according to the recent Boundless Happiness Survey conducted in 2018 (Open Access Government, 2018).

The assumption that increased pay among public servants deters corruption is challenged by a study in China (Gong & Wu, 2013). Empirical evidence casts doubt on the assumed connection between salary level and corruption and debunks the myth that increasing civil service pay contributes to the control of corruption. Low pay

among public servants is one of the main causes of corruption, but increasing their pay will not totally address the issue of corruption especially when it is systemic or organized in nature. Another recent study validated this observation,

> There is a broad consensus that low government wages in developing countries result in a decline of public sector efficiency and productivity and create both incentives and opportunities for corruption and misuse of public resources. However, most studies also agree that increasing salaries without establishing effective control and monitoring systems as well as enforcement of appropriate sanctions is unlikely to have an impact on corruption. (Chene, 2009, p. 1)

Methodology

The data in the study were taken from secondary sources consisting mainly of published reports and public documents posted on government websites.

The analysis of CAGR was used in comparing the different SSLs. This study covers the first SSL in 1989 until the end of SSL 5 in 2020 of the Duterte administration. The first SSL, which was implemented by the Corazon Aquino administration in 1989 under RA 6758, served as the base year. The increase was given only once. Succeeding SSLs were implemented in the span of four years, or in four tranches. The second salary adjustment law, SSL 2, was implemented in 1994-1997. SSL 3 under the Arroyo Administration, was implemented from 2009-2012. Under the administration of Benigno Aquino III, SSL 4 was implemented from 2016 until 2019. And the Duterte administration immediately approved SSL 5 following the guidelines of Senate Bill 1219. The first tranche was delivered in 2020, and the last tranche in 2023.

The periods considered in the analysis per administration are the number of years in between the year of the last implementation of the previous SSL and the ending period of the implementation of the succeeding SSL. There is an eight-year gap between SSL 1 (1989) and SSL 2 (1997) under the Ramos administration. The last of the four tranches of SSL 3 was in 2012, which was still considered under the Arroyo administration although her term ended in 2010. Therefore, there is a 15-year period between SSL 2, which was last implemented in 1997, and SSL 3. The last tranche of SSL 4 under the Aquino administration was in 2019, a seven-year period from 2012. SSL 5 under the Duterte administration covers a four-year period, 2020-2023.

The CAGR of inflation rates in these periods were calculated using the published consumer price index (CPI). In the case of the Duterte administration, projected inflation rates were calculated based on the average inflation in the past five years. The ratio between the two CAGRs, the SSL and inflation rates, were taken to examine the responsiveness of the SSL to inflationary effects.

The wage gap is the ratio of the salary of the highest salary grade public servant, which is the President of the country, and the salary of the one with the lowest salary grade. This is calculated to determine the level of inequality in each SSL.

The analysis of variance (one-way ANOVA) was performed on the data set to determine if there are statistical differences in the means of the CAGR-SSL and CAGR SSL-ratio under four administrations and among the different groups of public servants: sub-professionals, professionals, middle managers, and executives.

This study focuses only on the basic salary of public servants and does not include all other allowances and bonuses because these vary across different organizations. Moreover, the study focuses only on the salaries of the civilian employees under SSL because the uniformed personnel received a different salary adjustment in 2018.

Analysis

Salary Standardization Laws: SSL 2 – SSL 5

Published reports show that the SSL2 under the Ramos administration made the biggest incremental increase, with more than 100% salary adjustment among the sub-professional (salary grades 1-10) and professional (salary grades [SG] 11-24). The salary of the highest government official, which is the President (SG 33), increased by 100%, from PHP25,000 to PHP50,000.

In the interim before SSL 3, then President Arroyo increased the salaries of the public servants by an average of no more than 63%. Sub-professionals received the highest percentage increase (52-63%). By SSL 3, which was implemented in 2009, middle managers (SG 25-28) and the executives (SG 29-33) were the only ones who received almost 100% salary increase. The sub-professional group only received a cumulative average of 34% increase in their salaries. This shows that in SSL 3, the administration favored public servants occupying managerial and executive positions to attract better talents by levelling their salaries with those of their counterparts in the private sector. After SSL 3, the wage of rank-and-file public servants have compared favorably with their private sector counterparts (INCITEGov, 2009). By the time SSL 3 was being conceived, it was already determined that the salaries of the rank-and-file were already comparing favorably with the salaries of their counterparts in the private sector, that is why the focus of SSL 3 was more on the higher ranks.

In SSL 4 under the Aquino administration, the average increase in all salary grades was 59%. The sub-professional group received the smallest incremental increase of 10-22% because their salaries, by this time, were at the same level as those in the private sectors with the same skillsets. The salaries at these levels were already comparing favorably with the private sector. The President (SG 33), on the other hand, received the largest increase of 233%. These increases in SSL 4 did not include the additional year-end and performance-based bonuses (PBB) given to all government employees since 2015. Again, the salary increase received by those in the lower salary grades was in response to the prevailing market rate, which means that it was intended to match the salaries of private sector workers having the same skills and performing the same tasks.

Thus, the two salary adjustments implemented in SSL 3 and SSL 4 favored those public servants in higher salary grades than those in the sub-professional group. However, in the most recent SSL 5, the salary adjustments were much higher for those in the lower ranked salary grades than those in the higher-ranked positions. Public servants with salary grade 23 and above have received the same CAGR increase for the period 2020-2023.

Compound Annual Growth of SSL 2 – SSL 5

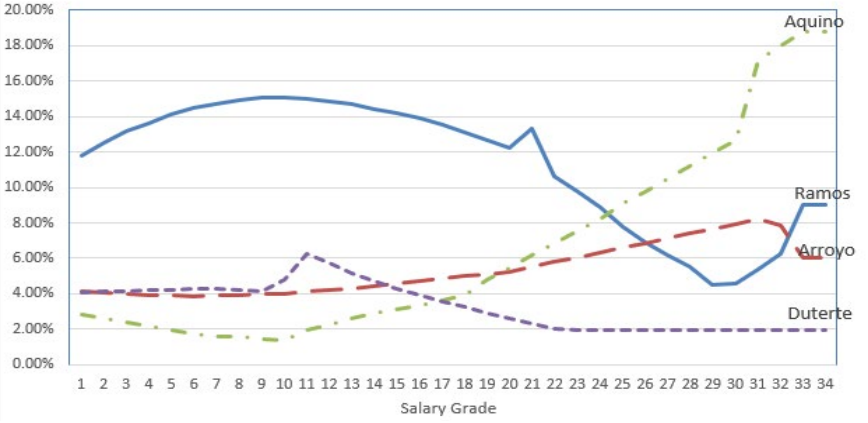
Looking at the 34 years of implementation of the SSL (1989-2023), and using the SSL 1 as the base year, the CAGR of salary increase is between 5.66-8.76%. Table

1 shows that the CAGR of the public servants' salary follows an increasing trend in the 34-year period. This means that if two public servants in different salary grades (one higher and the other lower) remained in the same salary grade for 34 years, the one with a lower salary grade would have experienced a lower average annual increase in his salary for 34 years compared to one with a higher salary grade.

Looking at the CAGR of the SSL 2 of the Ramos administration in Table 1, the lower single-digit CAGR are those in the higher SG 23-33. The sub-professionals and professionals in SG 1-22 received double digit salary increases annually. Thus, in SSL 2, the lower salary grade public servants received a higher annual salary increase than those in the managerial and executive positions relative to their previous salary. This is evident in the downward-sloping trend line of the CAGR for SSL 2, which drops after SG 10, the highest sub-professional position, as shown in Figure 1.

Figure 1

CAGR of SSL under Four Administrations by Salary Grade



Before SSL 3, the Arroyo administration implemented an interim salary adjustment for all public servants in 2006 and 2007. But this increase was not enough to compensate for the annual increase in prices in this period. By 2009, the Arroyo administration implemented SSL 3, where the CAGR of the salary followed an increasing trend from the lowest salary grade level to the highest salary grade level as shown in Figure1, and the highest CAGR is SG 31 at 8.22% (Table 1).

As in previous salary adjustments, the CAGR of the SSL4 under the Aquino administration followed the increasing trend but with a wider margin. This means that some executives received ten times more salary increases than the lower salary grade public servants. In Figure 1, the curve for SSL 4 became much steeper starting with salary grade 20.

The recent SSL 5 followed a different trend, with lower salary grade positions receiving relatively higher CAGR salary increases (see Figure 1). And starting at SG 23, higher professionals, public servants occupying managerial and executive positions received the lower rate of salary adjustments for the next four years. This follows the same trend as that in the SSL 2 of the Ramos administration, but to a lesser degree.

Table 1
Compounded Annual Growth Rate of SSL under Four Administrations

Positions	Salary Grade	SSL 2 Ramos (8 years)	SSL 3 Arroyo (15 years)	SSL 4 Aquino (7 years)	SSL 5 Duterte (4 years)	SSL 1-SSL5 (34 years)
Sub-professionals	1	11.79%	4.17%	2.83%	4.10%	5.62%
	2	12.49%	4.07%	2.59%	4.11%	5.69%
	3	13.15%	3.98%	2.39%	4.17%	5.75%
	4	13.65%	3.94%	2.18%	4.21%	5.81%
	5	14.09%	3.91%	1.98%	4.25%	5.85%
	6	14.49%	3.88%	1.77%	4.28%	5.88%
	7	14.72%	3.91%	1.57%	4.29%	5.90%
	8	14.90%	3.94%	1.57%	4.19%	5.95%
	9	15.04%	3.98%	1.47%	4.12%	5.96%
	10	15.08%	4.03%	1.40%	4.77%	6.06%
Professionals	11	14.99%	4.13%	1.99%	6.23%	6.38%
	12	14.85%	4.22%	2.26%	5.72%	6.39%
	13	14.67%	4.32%	2.60%	5.13%	6.40%
	14	14.45%	4.42%	2.94%	4.69%	6.42%
	15	14.18%	4.60%	3.10%	4.29%	6.43%
	16	13.87%	4.73%	3.37%	3.92%	6.43%
	17	13.52%	4.86%	3.65%	3.58%	6.43%
	18	13.12%	4.99%	3.92%	3.27%	6.42%
	19	12.69%	5.12%	4.78%	2.88%	6.51%
	20	12.21%	5.25%	5.46%	2.60%	6.57%
	21	13.30%	5.52%	6.15%	2.31%	7.04%
	22	10.61%	5.78%	6.84%	2.05%	6.67%
	23	9.75%	6.05%	7.53%	1.94%	6.72%
	24	8.86%	6.33%	8.20%	1.94%	6.77%
Middle managers	25	7.82%	6.58%	9.07%	1.94%	6.82%
	26	6.93%	6.85%	9.77%	1.94%	6.87%
	27	6.18%	7.12%	10.49%	1.94%	6.96%
	28	5.55%	7.39%	11.20%	1.94%	7.07%
Executives	29	4.52%	7.66%	11.92%	1.94%	7.08%
	30	4.56%	7.94%	12.65%	1.94%	7.35%
	31	5.37%	8.22%	17.20%	1.94%	8.56%
	32	6.22%	7.88%	17.96%	1.94%	8.76%
	33	9.05%	6.01%	18.76%	1.94%	8.74%

Consumer Price Index and Wage Gap

The CPI, which is a measure of the basket of goods consumers purchase at a given point in time, was used in determining the average annual inflation rate by calculating the CAGR CPI of two successive time periods. The ratio of the CAGR of the SSL and CPI is an indicator to determine if the average annual increase of the SSL per salary grade matches the increase in the prices of goods during the same period. It examines the effect of inflation on salary increases. Though the economy contracted during the pandemic in 2020, with GDP registering a growth rate of -10%, inflation rate was kept at a minimum at three percent.

The eight years between SSL 1 and SSL 2 (1989-1997) under the Ramos administration was one of the most economically challenging periods for most Filipinos as they had experienced an average of 10.45% annual inflation. Table 2 shows that in the 34-year period (1989-2023), the average CAGR of the inflation rate is 5.66%, which is lower than the average CAGR SSL of 6.61%. But this average inflation rate CAGR is just a tad higher than the CAGR of the lowest salary grade, which is 5.62% (see Table 1). This means that generally, at the end of the 34-year period, public servants would have experienced salary increases that have kept pace with the inflation rate even with the pandemic.

The SSL 4 under the Aquino administration showed the highest ratio of CAGR SSL / CAGR inflation rate of 2.17 mainly because of the low inflation rate of 2.81% annually in the seven-year period. However, in both Arroyo and Aquino administrations, the sub-professional group (SG 1-10) had received increases that were not enough to cover the increases in the prices of the basic commodities as the ratio in this group are 0.78 under the Arroyo administration and 0.70 under the Aquino administration. Thus, even with their increased salary, the purchasing power of lower-level public servants was diminished because of inflation.

Figure 2 shows the CAGR SSL-inflation ratio under the four administrations in all salary grades. The SSL-inflation ratios in all four administrations follow the same trend from SG 1-18. But beyond that, the SSL-inflation ratio under Aquino administration further increased, reaching almost six times more than the others. This clearly reveals that the Aquino administration gave favorable increases to the higher-ranked middle managers and executives. The Compensation and Benefits Study for the Public Sector, which covered actual pay rates in 2014, government pay was on the average 45% below market. The salaries of sub-professional staff (SG 1-10), such as administrative assistants and drivers, were found to be competitive. In contrast, professionals (SG 11-24) were found to receive as low as 41% of market rates; while middle managers and executives (SG 25-28) receive only about a third of the pay of their counterparts in the private sector. With the implementation of the SSL4, professionals, middle managers, and executives would have at least 70% of the market rates (DBM, 2015).

Figure 2
CAGR of SSL-Inflation Ratio by Salary Grade

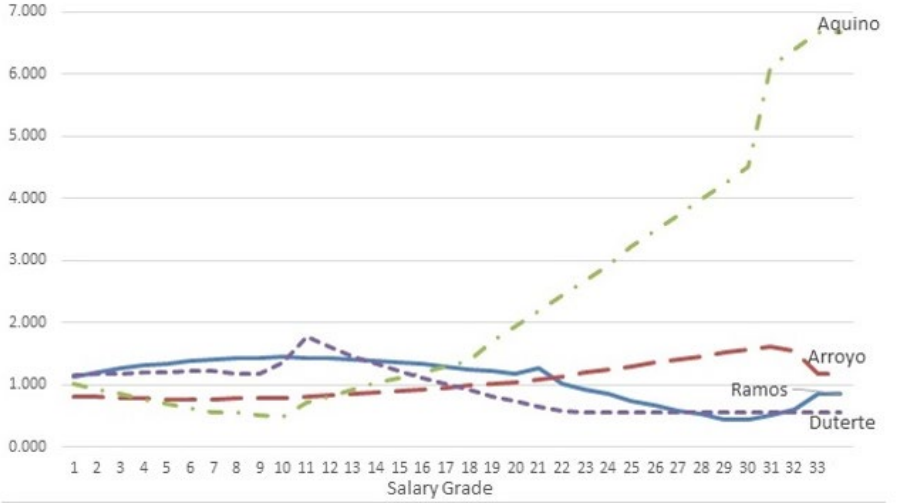


Table 2 reveals the wage gap under the four administrations. The wage gap was initially in single digit in the Ramos administration. But this increased by three points during the Arroyo administration, and even widened by almost three times in the Aquino administration. Upon the completion of SSL 5 in 2023, the wage gap would be reduced by three points, this time favoring the lower ranked sub-professional and professional groups.

Difference of the Means under Four Administrations

This study employed ANOVA test analysis to examine if there are significant statistical differences in the CAGR SSL and CAGR SSL-inflation ratio among four administrations. Table 3 indicates that there is a significant statistical difference in the means of CAGR SSL and CAGR SSL-inflation among the four administrations as the p-value <0.01 in both tests. Post hoc test of difference reveals that the SSL 2 under the Ramos administration showed salary increases that are significantly higher than the other three, and that the Duterte administration posted a significantly lower salary increase for public servants compared to the other three. In the CAGR SSL-inflation ratio, the Aquino administration has shown a significantly higher figure compared to the other three administrations. This means that in general, the country's low inflation rate during the time of the Aquino administration allowed public servants to enjoy their increased salary more compared to under the three other administrations.

Table 2
CAGR of the SSL, Inflation, and Wage Gap under Four Administrations

Positions	SSL 2 Ramos (8 years)	SSL 3 Arroyo (15 years)	SSL 4 Aquino (7 years)	SSL 5 Duterte (4 years)	SSL 1-SSL 5 (34 years)
Average CAGR of SSL per category					
Sub-professionals	13.94%	3.98%	1.97%	4.25%	5.85%
Professionals	12.93%	5.02%	4.49%	3.61%	6.54%
Managers	6.62%	6.99%	10.13%	1.94%	6.93%
Executives	5.95%	7.54%	15.70%	1.94%	8.10%
Average CAGR SSL	11.41%	5.33%	6.11%	3.35%	6.61%
Average inflation rate	10.45%	5.07%	2.81%	3.52%	5.66%
Ratio: Average CAGR SSL/ Average inflation rate	1.09	1.05	2.17	0.951	1.16
Ratio: Average SSL-CAGR/ Average inflation rate by category					
Sub-professionals	1.33	0.78	0.70	1.21	1.03
Professionals	1.24	0.99	1.59	1.03	1.16
Managers	0.63	1.38	3.60	0.55	1.23
Executives	0.57	1.49	5.58	0.55	1.43
Wage gap: Average salary of executives / Average salary of sub-professionals	9.56	12.44	34.07	31.32	

Comparative Increase in Salaries by Position and Inflation

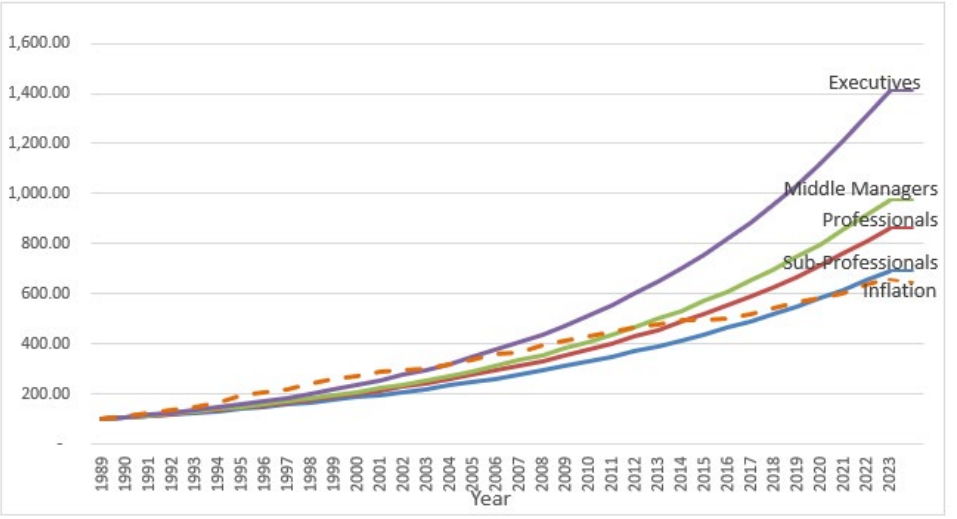
Figure 3 shows the 34-year cumulative CAGR of the SSL by position. This is plotted against the cumulative rate of inflation using 1989 as the base year. The graph reveals that in this period, the average income of executive public servants would have increased 14 times (1,412), while almost 10 times for middle managers (976), nine times for professionals (862), and seven times (692) for sub-professionals. Also, the intersections of these lines with the rise of inflation in the same period show that increases in salaries of public servants were unable to keep pace with increases in prices of basic goods until 2004 for executives, 2012 for middle managers, 2015 for professionals, and, most recently, 2021 for sub-professionals. Thus, even considering the current pandemic, the peaceful outcome of the 2022 national elections, and the expected high inflation rate for the year, increases in salaries of public servants in all positions for the next remaining year of SSL 5 would have kept pace with increases in prices.

Table 3
ANOVA test of CAGR SSL and CAGR SSL and Inflation Ratio of Four Administrations

		N	Mean	Std. Dev	F	p=value
CAGR SSL	SSL 2	33	11.41%	0.0360	36.708	0.000**
	SSL 3	33	5.33%	0.0142		
	SSL 4	33	6.11%	0.0510		
	SSL 5	33	3.35%	0.0130		
	Total	132	6.55%	0.0440		
Ratio – CAGR (CAGR SSL/ Inflation rate)	SSL 2	33	1.0923	0.3447	12.004	0.000**
	SSL 3	33	1.0507	0.2805		
	SSL 4	33	2.1736	1.8140		
	SSL 5	33	0.9516	0.3688		
	Total	132	1.3170	1.0651		

** Significant at 1% level

Figure 3
ANOVA test of CAGR SSL and CAGR SSL and Inflation Ratio of Four Administrations



Note. 1989 as base year = 100

Difference of the Means by Positions

Table 4 shows the result of the means and the ANOVA test made on the means of the CAGR SSL and CAGR SSL-inflation ratio in the different positions in the 34-year period.

In the CAGR SSL category, executives registered the highest CAGR of 7.78% for the past 34 years and the sub-professional group have the lowest CAGR at 6.04%. The ANOVA test result shows that there is no significant difference in the means of the four groups, which indicates that the average annual increases in salaries are close to each other.

The CAGR SSL-inflation ratio category shows that generally, the increase in the salary of the public servants have kept pace with inflation rate since all groups have shown an average ratio of more than one in the 34-year period. However, on the average, executives have a ratio of 2.05, which means that the increases in the salaries of executives were twice as much as inflation rate. The ANOVA test result shows significant differences in the CAGR SSL-inflation ratio among the four groups of public servants. The post hoc Tukey HSD test shows that the pair which exhibited significant difference is the one between sub-professionals and executives. This indicates that in the 34-year period, lower ranked sub-professional public servants have struggled to cope with the increasing prices of basic commodities while executives comfortably lived with it.

Table 4
ANOVA Test of SSL and SSL-Inflation Ratio by Position in the 34-year period

		N	Mean	Std. Dev	F	p=value
CAGR SSL	Sub-Professionals	40	6.04%	0.0475	0.705	0.551
	Professionals	56	6.51%	0.0409		
	Middle managers	16	6.42%	0.0308		
	Executives	20	7.78%	0.0542		
	Total	132	6.55%	0.0440		
Ratio - (CAGR SSL / Inflation Rate)	Sub-Professionals	40	1.0071	0.2918	5.139	0.002**
	Professionals	56	1.2127	0.4843		
	Middle managers	16	1.5424	1.2840		
	Executives	20	2.0488	2.1966		
	Total	132	1.3170	1.0651		

** Significant at 1% level

Conclusion

This study revealed that, comparing the CAGR of the SSL and the CPI in the same period, the increases in salary are enough to level the purchasing power of public servants in every salary grade with the inflationary effect in the 34-year period of the SSL implementation. Policy makers did not only consider prevailing market rates for equivalent workers in the private sectors, but also the inflationary effect on the prices of basic commodities.

In comparing salary increases under the different administrations, both SSL 2 under the Ramos administration and the SSL 5 under the Duterte administration have favored lower-ranked sub-professionals and professionals, while both SSL 3 under the Arroyo administration and SSL 4 under the Aquino administration favored the higher-ranked middle managers and executives. This is a policy strategy to attract highly qualified managers and executives to join and professionalize the bureaucracy.

However, closer examination shows that inflation eroded the purchasing power of lower-skilled public servants in SSL 3 and SSL 4. This means that the salary adjustments made on lower-ranked sub-professional public servants in SSL 3 and SSL 4 were lower than the inflation rate (as the CAGR SSL-inflation ratios were less than one) compared to the professionals, middle managers, and executives. SSL 4 even magnified these inequalities as salary increases given to managers and executives were more than twice the sub-professionals and professionals.

The current SSL 5, which took effect at the start of 2020, addressed the issues of inequality because the increases favored the lower ranked sub-professionals. Also, by the end of fourth tranche of SSL 5 in 2023, the wage gap between lower-ranked and higher-ranked public servants would have been reduced from 34.07 to 31.30. Another important policy of the Duterte administration was the immediate implementation of the SSL 5, which followed right after the last tranche of SSL 4 was given. This showed its resolve to address the issue of inequality in salary levels in the public service. Furthermore, this policy has helped jump start the economy that is recovering from the COVID-19 pandemic. The multiplier effect of increased salary translates to higher purchasing power among public servants, which in turn increases domestic production of goods and services to meet the demand.

Future SSLs should continue to adopt policies that narrow the wage gap between lower-ranked and higher-ranked public servants. This can be done by ensuring that in the succeeding rounds of SSL, the rate of increases in the salaries of lower-ranked public servants would be much higher than those in the higher-ranked positions. Equally important to consider are the annual inflationary effect and other economic variables that erode the purchasing power of public servants. With the recent advancement in technology, subsequent SSLs should also consider giving incentives or reward to public servants that have acquired new skills on their own volition and have significantly contributed to the overall efficiency of the organization. Future studies should consider other parameters that measures fairness and equity in pay, such as higher skillsets and individual performance and personality traits beyond the mere comparison of CAGR across various salary grades.

The further challenge in Public Administration is to find ways on how to address the issues of inequality, corruption, and poor performance among public servants, without placing so much strain on government resources by always resorting to salary increases.

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