

The Pay Practice Playbook:

A Look Into Headcount Growth & Compensation in Key Philippine Industries



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Executive Summary

Current compensation models need to adapt and evolve with the new world of work.

The COVID-19 pandemic has redefined the role of headcount and compensation in retaining top talent. As organizations weigh the impact of economic uncertainty, they face the challenge of changing their incentive plan to reflect the new reality.

There's no cookie-cutter approach for all companies regarding salary distribution and headcount. Instead, companies need to adopt a more calculated, surgical point of view when distributing salary increases: and it will start by understanding how the landscape has changed since the start of COVID-19.

This report will identify trends and patterns in compensation and headcount growth in key Philippine industries between 2019-2021. It will uncover the reasons behind the fluctuations in average salary and headcount, and provide recommendations on how HR leaders can adjust their compensation models to adapt to the post-pandemic reality.

Key Findings

All key insights are based on a salary and headcount comparison between 2019-2021.

Average Salary Per Industry

Industry	2019	2021
Accommodation and Food Service Activities	Php 21,755.37	Php 28,784.4
Administrative and Support Service activities	Php 30,590.9	Php 35,436.71
Agriculture, Forestry, and Fishing	No Data	Php 34,426
Arts, Entertainment, and Recreation	Php 19,573.64	Php 22,062.57
Construction	Php 56,629.97	Php 43,983.27
Education	Php 38,427.77	Php 39,742.55
Electricity, Gas, Steam, and Air-conditioning Supply	Php 64,962.42	Php 73,968.01
Financial and Insurance Activities	Php 16,050.74	Php 19,546.89
Human Health and Social Work Activities	Php 28,268.91	Php 32,065.02
Information and Communication	Php 44,952.54	Php 55,170.85
Manufacturing	Php 39,305.72	Php 35,568.58
Professional, Scientific, and Technical Services	Php 40,319.83	Php 37,189.28
Real Estate Activities	Php 30,487.63	Php 31,099.8
Transportation and Storage	Php 28,987.75	Php 32,427.1
Wholesale and Retail Trade	Php 18,775.55	Php 22,617.68

Executive Summary

By Industry

- **Construction** - Site closures have prompted companies in the construction industry to **decrease** average salary by **22.3%**
- **Manufacturing** - The average salary for manufacturing workers displayed a **dip by 9.5%** after manufacturing plants suspended operations due to COVID-19
- **Human Health & Social Work** - Despite the rise in COVID-19 cases in the country, this industry experienced a **62.2% dip** in average salary.
- **Accommodation & food services** - The popularity of online ordering and delivery services allowed this industry to flourish and resulted in a **32.3% average salary increase.**
- **Real Estate** - A growing need for pandemic-proof residential property investments caused a **647% surge** in overall headcount.
- **Arts, Entertainment, & Recreation** - The demand for online content and rising tech like AR & VR caused this industry to boom and experience a **3,300% headcount growth.**
- **Finance & Insurance** -The pandemic drove this industry to new heights with financial tech convenience and accessibility which resulted in a **58% rise** in average salary.

By Company Size

- **SMEs** -Serving as a backbone of economic growth and social development, these companies experienced a **31.7% increase** in average salary.
- **Mid-market businesses** - Because companies in this segment have a commitment to provide greater flexibility and high rewards to their employees, they experienced a **98.8% surge** in headcount.

By Employee Type

- **Officers** - Due to the rising costs of living, these employees experienced a **33.4% average salary increase.**
- **Rank-and-files** - Because they make up the backbone of the workforce in most organizations, these types of employees **increased by 55.8%**
- **Managers** - In the manufacturing sector, the wages for these types of employees experienced a **27.3% dip in average salary** and the Electricity, Gas, Steam & Air conditioning supply experienced a **42.9% decrease in headcount** due to low demands.

By Location

- **NCR employees** - Organizations within NCR recorded a higher average salary than those working outside the region.
- **Non-NCR employees** - Despite earning less than their NCR counterparts, they experienced a **20.98% increase** in average salary.

Methodology

To get a better grasp of the multidimensional impact of COVID-19 on salary distribution and payroll in the Philippines, Sprout surveyed **105,872 employees**.

The survey included questions about average salary and headcount related to industry, company size, employee type, and company location. The goal was to identify key trends and provide insights to guide HR business leaders in proper decision-making.



Results and Analysis

Average Salary & Headcount by Industry

HR leaders observed the majority of their employees prefer hybrid work.

Sprout analyzed the salary and headcount of employees across 15 different industries. These include Accommodation & Food Services, Business Process Outsourcing (BPOs), Agriculture, Forestry, & Fishing, Arts, Entertainment, & Recreation, Construction, Education, Electricity, Gas, Steam, & Air-conditioning Supply, Finance & Insurance, Human Health & Social Work, Information & Communication, Manufacturing, Scientific & Tech Services, Real Estate, Transportation & Storage, and Wholesale & Retail Trade.

KEY INSIGHTS AT A GLANCE:

Industries with the highest average salary increase:

32.3%

for Accommodation & Food Services

22.7%

for Information & Communication

21.8%

for Finance & Insurance

Industries with the highest decrease in average salary:

22.3%

for Construction

9.5%

for Manufacturing

7.8%

for Scientific & Tech Services

KEY INSIGHTS AT A GLANCE:**Industries with the highest growth in headcount:****647%**

for Real Estate

316.7%

for Wholesale & Retail Trade

311.6%

for Construction

Industries with the lowest growth in headcount:**2.8%**

decrease in Education

1%

for Electricity, Gas, Steam, & Air-conditioning Supply

12.4%

for Accommodation & Food Services

Accommodation & food services, highest salary raises.

The hospitality and food services sector has undergone a massive transformation during the pandemic. The change is apparent considering how food deliveries are more common, and automation is replacing face-to-face¹, over-the-counter orders.

However, despite being notorious for being low-wage, low-skill workers, the data shows that hotels and restaurants are changing their approach to salary distribution, with **the average salaries of employees going up from ₱21,755.37 in 2019 to ₱28,784.40 in 2021, a 32% increase.**

Construction is growing while salaries are shrinking.

Thousands of employees in the construction industry have taken a hit due to COVID-19. Site closures have prompted firms to secure their finances while employees bear the brunt of furloughs, temporary layoffs, and lower wages.

Field workers in the construction industry face other challenges besides low wages, such as an increased risk of exposure and heavier workloads. Despite that, the data shows that the average salary of employees in the construction sector plummeted from **₱56,629.97 in 2019 to ₱43,983.27, over 33%.**

¹ <https://sprout.ph/blog/the-next-frontier-hr-the-digital-future-of-work/>

As the lowest-paid worker by sector, they're also the least capable of keeping up with rising inflation rates – which was among the most affected industries during the Big Quit of 2021.²

Real estate: the largest growing industry.

The real estate sector experienced a staggering 647% increase in overall headcount.

Though some feared a prolonged downturn in the property market, the data shows that real estate is growing rapidly. Perhaps the growth in headcount could trace back to a greater need of Filipinos for pandemic-proof investments, like bigger and better residential properties. Just like other countries experiencing lockdowns, hybrid work, and prolonged stays at home, Filipinos have propitiated savings because of the higher perceived value of living in a good environment that's conducive to both work and life.

In fact, the demand for high-end condominiums, single detached homes, and township homes grew during the pandemic. After all, they offer greater convenience to mass transport, are more conducive to remote work, and better work-life integration.

It's also worth noting that the steady rise of the real estate market came at the heels of the record-high adult unemployment rate of 45.5% in July 2020, based on a study by Social Weather Stations³. After the country went under lockdown, it left people jobless to avoid the transmission of COVID-19.

Average Salary & Headcount by Company Size

For the purposes of this analysis, company size was split into **three categories**:

SMEs	Mid-market	Enterprises
companies with a headcount between 1 and 100 employees	companies with a headcount between 101 and 1,000 employees	companies with a headcount of above 1,000 employees

KEY INSIGHTS AT A GLANCE:

	SMEs	Mid-market	Enterprises
Average Salary Increase	31.7%	6.3%	20.6%
Average Headcount increase	27.7%	98.8%	29.1%

² <https://sprout.ph/blog/the-great-ongoing-resignation-of-2021-5-ways-companies-can-retain-talent/>

³ <http://www.sws.org.ph/swsmain/artclidisppage/?artcsyscode=ART-20200807142142>

People working in SMEs had the highest growth in wages.

SMEs had the highest average salary of all company sizes in the DTI report, which grew by 31.7% or from **₱33,260.18 in 2019 to ₱43,789.49 in 2021.**

The Asian Development Bank describes SMEs as the backbone of Asian economies. Data from the Department of Trade and Industry (DTI) shows that SMEs account for 62.7% of the country's total employees.

But SMEs do more than provide jobs – they are engines of economic growth and social development. To sustain the growth, business leaders should address related challenges, such as lack of social security and poor occupational safety.⁴

Mid-market businesses are the fastest-growing group.

Sprout data shows that mid-market companies had a greater edge than bigger companies, with this sector recording a whopping 98.8% increase in headcount.

David Ellis, EY UK and I Rewards Leader, shares that mid-market businesses offer lean operating models that translate to greater ease and authenticity. Unlike large corporations, these organizations lure talent with the promise of greater flexibility⁵ and high rewards.

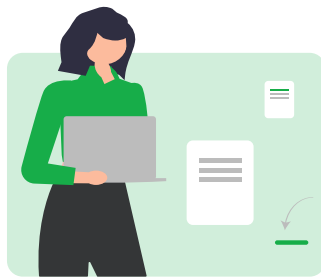
In turn, organizations in the mid-market segment could be a potential breeding ground for high-performance workers looking to build value over time.

Average Salary & Headcount by Employee Type

The different types of employees were split into the following:



Rank-and-file or non-managerial, who perform day-to-day tasks



Officers, or employees with more formal responsibility and authority than rank-and-files and responsible for managing day-to-day operations



Managers or people who take on leadership roles and manage a team of employees

Note: Some of the respondents did not disclose their employee type.

⁴ <https://sprout.ph/blog/occupational-health-safety-in-hybrid-offices-why-it-matters/>

⁵ <https://sprout.ph/blog/dole-guidelines-on-flexible-work-arrangements/>

KEY INSIGHTS AT A GLANCE:

33.4% increase in officer-level employee salaries

55.8% and **54.6%** increase in headcount for rank-and-file and officer-level employees

Officer-level employees had the highest salary percentage increase.

As the cost of living continues to rise, employees may feel more inclined to look for a job that pays more. Even though wage growth is high, CNBC reports that salary increases can't keep up with the rising cost of living, which is the highest it's ever been in 40 years.⁶

Of the types of employees in the survey, officer-level employees recorded a salary increase from **₱42,567.21 in 2019 to ₱48,969.38 in 2021**. The group also ranked second in terms of headcount growth, growing by 54.6% over two years.

Meanwhile, rank-and-file employees stay ahead of the pack with the biggest growth in numbers (55.8%).

Average Salary & Headcount by Location

Only two locations were considered in the study: **NCR** and **non-NCR** regions.

KEY INSIGHTS AT A GLANCE:

NCR employees had a **higher salary** than their non-NCR counterparts

Those working in **non-NCR regions** had the **highest increase in salary (20.98%)**

74.4% and **52.6%** increase in headcount from NCR and non-NCR employees, respectively

People working in NCR had a higher salary and recorded the biggest growth in numbers.

The minimum wage policy⁷ protects workers against unfair compensation and ensures that employees receive enough income to keep up with the cost of living.

Even though the Department of Labor and Employment (DOLE) states that companies affected by the pandemic can't increase the minimum wage threshold just yet, minute salary increases are taking place from a regional perspective.

Data from the survey show that people working in NCR had an average salary of **₱36,911.43** in

⁶ <https://www.cnb.com/2022/04/05/not-earning-enough-many-workers-are-unhappy-with-their-pay.html>

⁷ <https://sprout.ph/blog/how-much-is-the-minimum-wage-in-manila/>

2021, reflecting a 12.9% increase in average salary compared to two years before. The group also grew from 27,996 in 2019 to 48,830 in 2021.

Meanwhile, non-NCR employees recorded a higher salary increase over the same two-year period (21%). However, even the 20% increase in average salary may not be enough to cover the rising cost of inflation.

Average Salary & Headcount by Industry & Size

Upon analyzing average headcount side-by-side with industry and size, Sprout uncovered a few trends.

KEY INSIGHTS AT A GLANCE:

Highest average salary increase:

94.3%

for SME Wholesale & Retail Trade

90.6%

for SME Accommodation & Food Services

59.5%

for SME BPOs

Biggest dip in average salary:

62.2%

for SME Human Health & Social Work

14.4%

for SME Manufacturing

12.3%

for SME Scientific & Tech Services

Highest headcount increase:

578.7%

for SME Wholesale & Retail Trade

578.3%

for SME Human Health & Social Work

305%

for Mid-market Wholesale & Retail Trade

KEY INSIGHTS AT A GLANCE:**Biggest decrease in headcount:****38.9%**

for SME Electricity, Gas, Steam, & Air-conditioning Supply

28.4%

for SME BPOs

22.3%

for Enterprise Accommodation & Food Services

SMEs were most affected by fluctuations in average salary across the board.

SMEs were more likely to experience changes in average salary, whether positive or negative. All industries that recorded the biggest increase/decrease in average were from the SME segment.

SMEs in the Wholesale & Retail Trade industry were the most resilient among all industries and company sizes. It ranked top for the highest average salary (94.3%) and headcount growth (578.7%) from 2019 to 2021.

Despite being a critical sector, the Human Health & Social Work industry is undervalued.

The healthcare sector – and frontline workers, in particular – have been at the forefront in the fight against COVID-19. Though the pandemic has inspired an outpouring of support for the country's frontline heroes, their remuneration didn't.

When the highly transmissible Delta variant drove a fresh surge of infections, health workers suffered poor working conditions and delayed benefits. For example, only 399,395 of the frontline workers eligible to receive a special risk allowance (SRA)⁸ of the 526,727 health workers had received theirs in September 2021.

If the data teaches anything, organizations need to assess the level and structure of compensation in the healthcare sector and determine additional wages they should pay employees. For instance, it could include basic, overtime, and hazard pay, as well as performance incentives and other allowances.

⁸ <https://www.rappler.com/newsbreak/in-depth/overworked-under-paid-health-workers-walking-away-delta-variant-ravages-philippines/>

Average Salary & Headcount by Industry & Employee Type

Sprout conducted a comparative analysis of salary and headcount side-by-side with industries and types of employees.

KEY INSIGHTS AT A GLANCE:

Highest average salary increase:

123%

for Wholesale & Retail Trade (Officer)

97%

for Finance & Insurance (Officer)

95.7%

for Wholesale & Retail Trade (Manager)

Biggest average salary dip:

30.3%

for Construction (Manager)

29.8%

for Electricity, Gas, Steam, & Air-conditioning Supply (Rank-and-file)

27.3%

for Manufacturing (Manager)

Highest growth in headcount:

1,830%

for Construction (Rank-and-file)

798.7%

for Real Estate (Rank-and-file)

550%

for Real Estate (Officer)

KEY INSIGHTS AT A GLANCE:**Biggest decrease in headcount:****48.1%**Electricity, Gas, Steam, & Air-conditioning Supply (**Rank-and-file**)**42.9%**Electricity, Gas, Steam, & Air-conditioning Supply (**Manager**)**40.7%**Electricity, Gas, Steam, & Air-conditioning Supply (**Officer**)**The Arts, Entertainment, & Recreation sector had the highest average salary.**

Venue-based sectors like museums, festivals, and live music were hit the hardest because of social distancing measures. However, the data from Sprout suggests that the creative industry has thrived despite pandemic-related limitations. The survey shows that the industry increased its average salary threshold by 199.5%, but survey participants opted not to disclose what employee type they belonged to.

Consider how online platforms have turned the situation around by letting content creators stream content while people were in lockdown. Digital transformation and emerging technologies⁹ like virtual and augmented reality have also opened the doors to new cultural experiences.

Despite being cooped up indoors, a significant fraction of public and private providers have moved their content online for free to keep audiences engaged. In turn, it could factor into the industry's 3,300% headcount growth from 2019 to 2021.

Managers are dwindling in numbers and earning less.

The survey data shows that the headcount for manager-level employees is shrinking, and bearing the brunt of the biggest decrease in average salary. In fact, managers in the Accommodation & Food Services sector consistently earned less than officer-level workers from 2019 to 2021: managers had an average salary of **₱38,393.54 while officers took home ₱45,512.52 every month.**

Managers from the construction and manufacturing industries, in particular, were the hardest hit sectors. They recorded a 30.3% and 27.3% decrease in salary over the same two-year period.

⁹ <https://sprout.ph/blog/the-next-frontier-hr-the-digital-future-of-work/>

Average Salary & Headcount by Industry & Company Location

The last two categories included a side-by-side comparison of salary and company location.

KEY INSIGHTS AT A GLANCE:

Highest average salary increase:

58%

for Finance & Insurance (Non-NCR)

38%

for Electricity, Gas, Steam, & Air-conditioning Supply (NCR)

31.2%

for Accommodation & Food Services (NCR)

Biggest dip in average salary:

64.3%

for Human Health & Social Work (Non-NCR)

42.9%

for Construction (NCR)

38.9%

for Manufacturing (Non-NCR)

Largest growth in headcount:

797.2%

for Manufacturing (Non-NCR)

719.6%

for Real Estate Activities (NCR)

500%

for Construction (NCR)

KEY INSIGHTS AT A GLANCE:**Biggest decrease in headcount:****32.4%**

for Accommodation and Food Service Activities (Non-NCR)

11.9%

for Transportation and Storage (Non-NCR)

3.8%

for Electricity, Gas, Steam, and Air-conditioning Supply (Non-NCR)

The Finance & Insurance industry displayed the largest salary growth outside NCR.

The data shows that the Finance & Insurance sector located outside NCR recorded an average salary increase of 58%. When asked about the insurance industry's growth amid the pandemic, Department of Finance (DOF) Secretary Carlos Dominguez III shares that it reflects the Insurance Commission's maximization of digital technology.¹⁰

Harnessing the power of digital tools can help industry stakeholders operate more efficiently and make the lives of Filipinos easier.

A credible finance and insurance industry can help more Filipinos to secure their financial futures, especially for locations beyond NCR. In turn, it could strengthen the country's resilience in the face of uncertainty.

The Human Health & Social Work sector trails in last place for average salary.

Similar to trends observed in other categories, the Human & Social Work industry trailed behind with the biggest decrease in average salary. Non-NCR employees working in the sector in 2019 received an average salary of **₱131,485.90, which eventually plummeted to ₱44,685.29 in 2021.**

Given the critical role of human health and social work staff, there's an urgent need to improve employee compensation and benefits packages – both inside and outside NCR. But it's likely that the industry needs more rank-and-file workers, not because of the drop in salaries.

When considering salary adjustments, consider the growing demand for technical competencies in the healthcare sector, such as "emergency and intensive care" or "basic patient care", critical skills even before the pandemic. It also helps to pay attention to interpersonal skills, such as good communication skills and proactive engagement.

¹⁰ <https://www.pna.gov.ph/articles/1171237>

Manufacturing is the biggest growing sector outside NCR.

The manufacturing industry makes up half of the country's industrial sector and accounts for almost a quarter of the Gross Domestic Product (GDP). The industry records higher income and employment rates in the agriculture and services sectors.

The manufacturing industry recorded a headcount growth of 797.2% outside NCR. These numbers bode well because accelerating the manufacturing sector's competitiveness makes it easier for the country to achieve greater sustainable and inclusive development.

Two other fast-growing groups include Real Estate Activities (719.6%) and Construction (500%), both in NCR.



Recommendations

Listed below are recommendations to guide HR business leaders in today's new world of work.

Assess current compensation levels based on the needs of the future organization.

Companies are wary of economic uncertainty and its impact on employee retention. Though there's no be-all, end-all approach that works, the best place to start is to look at one's situation first.

Successful compensation planning entails thinking outside the box and considering what's needed to thrive in a post-pandemic world. For example, employers should ask themselves: Where will my people work? How can I help them get the work done? How many employees will I need?

The answers can help inform an organization's pay and headcount strategy and reset the idea of pay and reward.

Acknowledge the need to rewrite the pay practice playbook and determine the most effective rewards programs.

Now is a good time for employers to consider whether traditional pay practices are still applicable in the new world of work. And even though some organizations are embracing a wait-and-see approach, there's a critical need to act decisively.

In particular, embracing skill-based pay methods could help improve an organization's overall resilience and flexibility.

Think of unique ways to lower costs and make rewards programs more efficient. For example, assessing company location: would it be sensible and feasible to offer remote employees outside NCR a localized compensation commensurate with their lower cost of living?

Create an inclusive post-pandemic plan that incorporates factors beyond pay.

Hybrid work is the new normal, and winning over the hearts and minds of hybrid employees means offering new benefits that emphasize flexibility and security.

Some examples include greater schedule flexibility, mental health programs, food stipends, paid time off, and child care support. Remember: the more inclusive the post-pandemic plan is, the better it can retain top performers.

Recommendations

Build an inclusive digital economy to turn pandemic-related economic downturns into developmental gains.

Embracing digital technology can hasten pandemic recovery. Upgrading digital infrastructure can improve social service delivery, boost resilience against unexpected circumstances, and empower organizations to stay competitive.

Even though there's still room for improvement in adopting digitization, there has already been a rapid shift in tech readiness. Building a sustainable digital economy will start with better dialogue and collaboration. For example, there should be more conversations about e-commerce opportunities and risks during times of crisis.

Be transparent and communicate changes that will accompany the new world of work.

The pandemic has left employees feeling emotionally exhausted and prone to burnout. If they're going to be paid less or more, they deserve a timely explanation from their employers.

Business leaders should understand that any changes should be properly communicated. So if companies plan to make cuts to pay increases or reduce their retirement plan contributions, teams should be notified as soon as possible.

More importantly, it helps to assure employees that all changes are temporary. After all, the current impact of COVID-19 isn't as widespread as in previous recessions. Recovery is underway as the economy and business landscape adapt to the future of work.

Promote objective performance reviews with skills-based pay methods.

COVID-19 has promoted businesses to create skillset repositories. As employees move through different teams and assignments, skill-based assessments provide a more accurate yardstick to measure performance and value.

Compensating employees based on skills means creating a database that compiles different abilities of employees and preferred company skills. Business leaders should, in turn, track how in-demand these skills are in the labor market.

Analyzing employee skills can help companies save more on onboarding, recruitment, and employee appraisals or promotions in the long term. Mapping out employee skills, after all, can provide workers with new career opportunities.

Acknowledgements

Sprout Solutions would like to extend its gratitude to the survey participants, collaborators, and institutions that provided key insights that made this report possible. Thanks to their responses, we were able to identify patterns and trends regarding salary distribution and headcount during COVID-19, and hope for businesses in the Philippines to use them to their advantage in the competitive landscape.

Sprout Solutions is a rapidly growing SaaS company that provides paradigm-changing solutions that address end-to-end HR challenges. The Sprout Ecosystem is a comprehensive, cloud-based People Platform that allows companies to manage all HR data in one place and provides invaluable analytics that aid in better enterprise-wide decision-making.

Book a free demo and email us at info@sprout.ph. You can also visit our website: www.sprout.ph to learn more.

