

An Exploratory Study on Employee Benefits Practices in Philippine Industries

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This study on employee benefits planning and administration practices in Philippine industries is exploratory in nature and aims to identify specific focus of forthcoming researches.

Employee benefits are a component of the so-called total compensation scheme. They are expressed either in cash or in kind and they are given to all recognized members of the organization. The level of benefits package may vary according to the relative importance of the job or other defined parameter.

Employee benefits is an evolving field in the realm of human resource management and industrial relations. More and more benefits are now being provided to employees such that the term "fringe benefit" is no longer an appropriate term to use. Thus, Borba and Appel (1990) raised the issue: "have increases in employee benefits paid for themselves?"

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Statement of the Problem

This research work seeks answers to the following questions:

1. What factors organizations consider in employee benefits planning?
2. What are the typical non-statutory benefits being received by employees and from which source such benefits come from?
3. What are the reasons for granting employee benefits?
4. How do organizations communicate the benefits package to its workers?
5. What are the typical problems attendant to employee benefits administration?

Scope and Delimitation of the Study

This study covers a total of 44 different organizations across industries such as hotel, banking, consumer, manufacturing, hospital, power generator/energy, telecommunication, school, property, insurance, automotive, steel, utility, food and beverage, among others. The study does not look into industry trends nor industry variations of findings.

The organizations in this investigation started operating in the Philippine soil at different periods in time. Fifty percent of them started within the period 1918 to 1975 while the other half started within the period 1976 to 1996.

Fifty five percent (55%) of the organizations are Filipino-owned while 25% are Foreign and Filipino-owned. Eleven percent (11%) are cooperatives and 5% are government owned and controlled corporations. Two percent (2%) are a single proprietorship and another 2% are foundations.

Thirty percent (30%) of the organizations in this study have installations outside the Philippines, including Australia, Guam, Hongkong, Indonesia, Guatemala, Japan, Malaysia, New York/US, and Singapore. One firm has installations all over the world.

Sixty one percent (61%) of the organizations in the study have unions wherein 48% are non-federated. Another 48% are affiliated with labor federations or labor centers. Four percent (4%) have several unions, some of which are federated and some not.

In this investigation, the concept of non-statutory benefits is limited to the following: medical, life/accident insurance, retirement plan, loans, bonuses, payment for time not worked, employee services, and benefits for top executives. On the other hand, sources of employee benefits are limited to Collective Bargaining Agreement (CBA), Labor-Management Council (LMC), and management.

Significance of the Study

The study helps fill in the gap of information on employee benefits particularly in Philippine setting. Baseline information serves as reference for future research works in the same field – employee benefits.

Information generated in the study can facilitate in building theories on employee benefits within the context of human resource management and industrial relations. On the practical side, practitioners would have a glimpse of what benefits are typically provided to workers. They can benchmark their organizations vis-à-vis results of the study.

Research Framework and Methodology

This portion of the paper presents the schema of the research and the manner the data were generated, processed and analyzed.

Considerations in benefits planning are:

- > Sources of employee benefits
- > Reasons for granting employee benefits
- > Typical non-statutory benefits
- > Benefits communication
- > Benefits problems

The research design of this investigation is the survey technique. Non-probability sampling was used, specifically purposive sampling. There were 44 respondents representing different companies, coming from different industries.

Respondents were participants of the "Employee Benefits Seminar" conducted by the U.P. School of Labor and Industrial Relations held February 17-19, 1998, with this researcher as lead seminar facilitator. Respondents were mostly female (70.5%). 43.2% of

the respondents hold managerial positions while 34.1% are in supervisory level. Majority of the respondents (81.8%) are in the human resources functions particularly employee benefits planning and administration. Data about respondents profile are summarized and presented in Tables 1, 2 and 3.

Respondents were asked to fill up the nine-page questionnaire which is composed of items pertaining to:

- background of respondents
- background of organizations
- non-statutory benefits
- sources of employee benefits
- employee benefits planning and administration

Data were processed and analyzed using descriptive statistics and such were presented in tables and graphs for illustrations.

Table 1. GENDER

	Frequency	Percentage
Male	13	29.5
Female	31	70.5

Table 2. RANK IN THE COMPANY

Rank	Frequency	Percentage
Manager	19	43.2
Supervisor	15	34.1
Rank and File	7	15.9
Professional/Technical	2	4.5

Table 3. FUNCTION IN THE COMPANY

Function	Frequency	Percentage
Human Resources	36	81.8
Finance/Administration	2	4.5
Production/Operations	2	4.5
General Management	1	2.3
Sales/Marketing	1	2.3
Information Systems/Technology	1	2.3
Others (Finance & HR)	1	2.3

Findings and Discussions

This portion of the paper discusses the results of the investigation. Research questions are revisited and are used as format of presentation.

1. What factors organizations consider in employee benefits planning?

Cost or affordability is the number one consideration in benefits planning according to 95.5% of the respondents. One respondent even wrote "gusto naming magbigay ng mga benepisyo para sa mga manggagawa pero wala namang sapat na pera ang kumpanya!" Truly, the cost of benefits is dramatically increasing. And if such is not contained, companies may end up unable to sustain expensive perks in the long run.

About 72.7% of the respondents considered legal requirement a critical factor in benefits planning. This researcher's consulting engagements and dealings with owners of small-scale industries taught him that many employers are concerned in giving employee benefits that are statutory in nature. However anything on top of what is legally mandated is something that they are not so keen on giving. The risk of giving more benefits is reflected in the Labor Code through the provision of Article 100 which prohibits diminution of pay (and that includes employee benefits). Thus, what you give as benefits cannot be taken away except for a few exceptions.

A total of 72.7% of the respondents said that employee needs is another thing they consider in planning for worker's benefits. Employee needs, among others, are a function of demographic profile

of the workforce (De Cenzo and Holoviak, 1990). For instance, the needs of a 21 year-old fresh graduate vary a lot from the needs of a 50 year-old employee. In like manner, the needs of male employees are different from the needs of female employees. The "wants" of singles are different from the "wants" of married employees. Human resource and industrial relations practitioners should however learn to differentiate employees' needs from employees' wants. The manner of generating data on employee needs is very crucial. It should be thoroughly planned for the mere act of gathering data may create false expectations on the part of the employees.

Roughly 52.3% of the respondents considered community or market practice as a factor in benefits planning. In this case, benefits survey is a tool that can be used in generating the data about what is prevailing in the community or in the market. The data will keep the company constantly abreast with the latest trends and developments on employee benefits. Likewise, the information would be of help in defining the parameters when planning for the organization's total benefits package.

Fifty percent (50%) of the respondents claimed they consider company philosophy as consideration in benefits planning. Some respondents however intimated to this researcher that they do not have any company philosophy on employee benefits.

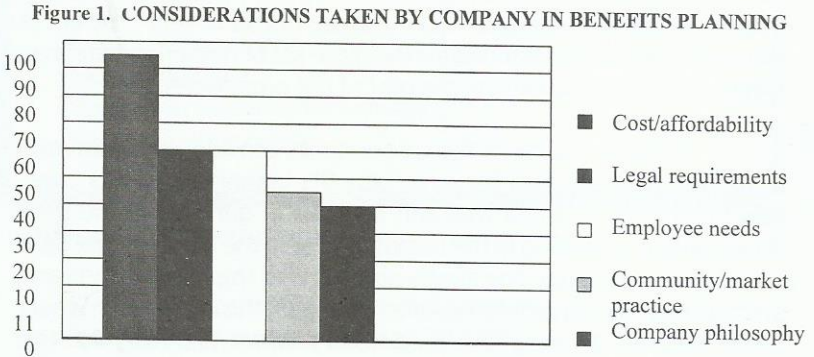
The responses are all significant for all of them are 50% and above. Table 4 and Figure 1 summarize the findings.

2. What are the typical non-statutory benefits being received by employees and from which source such benefits come from?

Table 4. CONSIDERATIONS TAKEN BY COMPANY IN BENEFITS PLANNING

Consideration	Affirmative Response	Percentage
Cost/affordability	42	95.5
Legal requirements	32	72.7
Employee needs	32	72.7
Community/market practice	23	52.3
Company philosophy	22	50.0

Figure 1.
Considerations taken by Company in Benefits Planning



Medical and Dental Benefits

Data revealed that management is generally the source of medical and dental benefits, followed by CBA, and then by the LMC. Likewise, the data showed that some companies have more than one medical and dental schemes available for workers. 75% of the respondents said they have Health Maintenance Program through HMO.

It appeared that the nature of medical and dental programs the companies have is a combination of in-house clinic (75%), part-time company physician (68.2%), part-time company dentist (52.3%), and tie-up with laboratories (52.3%).

Medical insurance plans are available upon regularization (56.8%). It is contributory by employer and employee (45.5%). Coverage of the medical insurance plan includes employee and dependents (52.3%). Basic major coverage include daily room and board (65.9%), with maximum limits per illness (59.1%), surgical benefits (82.3%), and doctor's fees (59.1%). Others include consultation (2.3%), free laboratory/medicines (2.3%), medicine reimbursement (4.6%), out-patient services (2.3%) and treatment of emergency cases

(2.3%). Tables 5, 6 and 7 summarize the findings on medical benefits.

Medical costs these days are skyrocketing. Without medical benefits, employees would definitely find it difficult to pay hospital bills and to cover cost of medicines. This researcher believes that this type of benefit is a must for all types of companies especially those that engaged in highly hazardous and stressful work activities. An unhealthy workforce is definitely not a productive workforce.

Table 5. MEDICAL BENEFITS

BENEFIT	SOURCE					
	CBA		LMC		MANAGEMENT	
	f	%	f	%	f	%
Medical dental program	16	36.4	2	4.5	34	77.3
Medical insurance plan	12	27.3			26	59.1
Health Maintenance Program	8	18.2	1	2.3	24	54.5
Self-insurance	4	9.1			14	31.8
Combination of Different Plans	4	9.1			10	22.7

Table 6. NATURE OF MEDICAL AND DENTAL PROGRAMS

PROGRAM	AFFIRMATIVE RESPONSE	PERCENTAGE
In-house clinic	33	75.0
Part-time company physician	30	68.2
Part-time company dentist	23	52.3
Tie-up with laboratories	23	52.3
Hospital/dental clinic within perimeter of company	19	43.2
Tie-up with optical clinics	18	40.9
Company-sponsored discounted services	8	18.2
Full-time company physician	5	11.4
Full-time company dentist	3	6.8

Table 7 NATURE OF MEDICAL INSURANCE PLANS

NATURE OF PLAN	AFFIRMATIVE RESPONSE	PERCENTAGE
a. Eligibility: everyone	7	15.9
Only upon regularization	25	56.8
Upon one year of service		
b. Contribution: contributory	10	22.7
Non-contributory	20	45.5
c. Coverage: employee	11	25.0
Employee and dependents	23	52.3
d. Basic major coverage		
Daily room and board	29	65.9
With maximum limits per illness	26	59.1
Surgical benefits	23	52.3
Doctor's fees	26	59.1

Table 8. LOANS

BENEFIT	SOURCE					
	CBA		LMC		MANAGEMENT	
	f	%	f	%	f	%
Housing Loan	6	13.6			13	29.5
Emergency Loan	6	13.6	2	4.5	27	61.4
Car Loan	4	9.1			22	50.0
Educational Plan	7	9.1			22	50.0

Loans

Loans are found to be basically a management-initiated benefit. The second source of this benefit is the CBA. Only a few emanated from the LMC efforts.

About 79.5% of respondents said they can avail of emergency loans in their organizations. This study failed to look into how much is loanable and if such is interest-free, and also the grounds

for eligibility. 59.1% of the respondents said they have car loan facility. Details of the car loan program was not considered in this study, too. There were no data to tell if the present economic crisis affected the car loan program. 47.7% said they have educational loan. Again, details of the loan is not a subject of this research. 43.1% have housing loan facility.

Few respondents mentioned their organizations provide the following loans: appliance, battery, business, dental, multi-purpose, funeral, salary, house repair, equity, optical/hearing aid, hospitalization and short-term loan. Table 8 describes the dominant type of loans available for workers.

Management is the main source of retirement benefit. This is followed by the CBA. Data revealed that 86.4% of the respondents have a defined benefit plan. As such the employees get either fixed monthly income for life; lumpsum upon retirement based on this formula: last pay multiplied by length of service (Rosenbloom and Hallman, 1986). 6.8% of the respondents said their organizations have a defined contribution plan. This means that no specific benefits are fixed. Contributions are defined. Money is invested and projection is offered as to probable income levels, although in some instances, company is not bound to this projection. This kind of arrangement allows employees to select investment choices. 13.6% of the respondents claimed they have a retirement plan which is a combination of the defined benefit and the defined contribution plans. Table 9 summarizes findings on retirement plan.

Table 9. RETIREMENT PLAN

BENEFIT	SOURCE					
	CBA		LMC		MANAGEMENT	
	f	%	f	%	f	%
Defined benefit plans	15	34.1			23	52.3
Defined contribution plans	1	2.3			2	4.5
Combination	2	4.5			4	9.1

Life/Accident Insurance

Insurance is a form of safety net. This research revealed that this type of benefit is generally derived from management. Although some organizations got it through the CBA, and a few got it through LMC deliberations. 72.7% of respondents claimed they have life insurance; 72.7% confided they have accidental death and dismemberment; 38.7% claimed to have business travel and accident insurance; and only 2.3% indicated having group life insurance. Table 10 summarizes data on life and accident insurance.

What this study failed to look into are the following: 1) the coverage, 2) the amount of insurance and 3) whether the benefit is contributory or not.

Table 10. LIFE/ACCIDENCE INSURANCE

BENEFIT	SOURCE					
	CBA		LMC		MANAGEMENT	
	f	%	f	%	f	%
Life Insurance	7	15.9	1	2.3	24	54.5
Accidental death and dismemberment	6	13.6	1	2.3	25	56.8
Business travel and accident insurance	1	2.3			16	36.4

Payment for Time Not Worked

This study found out that payment for time not worked is generally a benefit derived from management's generosity, although some respondents said the benefit is derived from both management and the CBA. Maybe an explanation to this is that management was the one which actually initiated the benefit but during collective bargaining negotiation, parties agreed to incorporate the same in the CBA. Interesting to note in this investigation is that bereavement leave is basically a CBA-initiated benefit (29.5%).

Other popular types of payment for time not worked are as follows: vacation leave, sick leave, bereavement leave, emergency

leave, birthday leave, maternity leave on top of SSS/GSIS. Table 11 summarizes data on payment for time not worked.

Few respondents mentioned the existence of the following types of payment for time not worked: dysmenorrhoea, sickness, and forced leave. This researcher observed that the latter is being practiced by several companies as a coping mechanism to the present economic crisis (devaluation of peso vis-à-vis US dollar).

Table 11. PAYMENT FOR TIME NOT WORKED

BENEFIT	SOURCE					
	CBA		LMC		MANAGEMENT	
	F	%	f	%	f	%
Vacation leave	16	36.4			30	68.2
Sick leave	15	34.1			28	63.6
Maternity leave	9	20.5			24	54.5
Bereavement leave	13	29.5	1	23	8	18.2
Birthday leave	7	15.9			7	15.9
Marriage/honeymoon leave	1	2.3			3	6.8
Study leave	4	9.1			9	20.5
Emergency leave	8	18.2			14	30.8
Maternity leave on top of SSS/GSIS	5	11.4			11	25.0
Union leave	17	38.6				
Court leave	1	2.3			1	2.3
Incentive leave	2	4.5			2	4.5
Fiesta leave	1	2.3			2	4.5
Others: Paternity leave	2	4.5			7	15.9

Employee Services

As gleaned from the data, majority of employee services is derived from management. Although, a growing number is derived from CBA. A few traced their roots from the LMC. Some respondents also reported dual sources. The explanation earlier on payment for time not worked may also apply herein.

Top five (5) employee services are as follows: uniform (70.5%), meal benefits (68.2%), rice benefit (61.4%), scholarship

(41%), and employee communications programs (40.9%). Table 12 depicts the responses on employee services.

Few respondents mentioned the following benefits they are enjoying: canteen, company day, fiesta day, gym, handyphone, summer outing, sports/recreation/sportsfest, suggestion box, training, Christmas grocery and party.

Table 12. EMPLOYEE SERVICES

BENEFIT	SOURCE		LMC		MANAGEMENT	
	f	%	f	%	f	%
Uniforms	5	11.4			26	59.1
Bus service	4	9.1			10	22.7
Rice benefit	12	27.3			15	34.1
Scholarship	5	11.4	1	2.3	12	27.3
Product discounts	1	2.3	1	2.3	12	27.3
Aids to address catastrophic loss	2	4.5	1	2.3	11	25.0
Meal benefits	5	11.4	1	2.3	24	54.5
Counseling			1	2.3	12	27.3
Employee communications Programs	1	2.3	2	4.5	15	34.1
Convenience store	1	2.3	9	20.5		
Family day	1	2.3	12	27.3		

Bonuses

A cursory look at the data indicated that most bonuses are a management-initiated benefit. Some came from the CBA. Few respondents claimed dual sources of bonuses, that means they are both coming from management and the CBA. The explanations presented in previous discussions likewise apply in this situation.

Christmas bonus seems to be the most popular type (79.6%) of all the bonuses. This is followed by performance bonus (54.5%). Refer to Table 13 for details.

Some respondents described the nature of their performance bonuses. 11.4% said they have an improshare. Improshare means improved productivity through sharing. It emphasizes performance

rather than peso costs. Both management and labor are tied to the same goal: improved productivity and reduced production costs. Basic formula: Improshare hour = standard hours for actual units produced. Bonus is made in any month when actual labor hours are less than improshare hours (Doyle, 1983; Amante, n.d.). Meanwhile, 13.6% of the respondents claimed to have profit sharing plans. Profit sharing is basically based on organization profit, not on performance as output (productivity) (Doyle, 1983; Amante, n.d.).

Other minority responses include gift cheque if performance is very satisfactory, merit increases being incorporated in the basic pay, and profit improvement bonuses.

Table 13. BONUSES

BENEFIT	SOURCE					
	CBA		LMC		MANAGEMENT	
	f	%	f	%	f	%
Fourteenth month pay	4	9.1			14	31.8
Christmas bonus	8	18.2			27	61.4
Mid-year bonus	8	18.2			12	27.3
Quarterly bonus	2	4.5				
Performance bonus	2	4.5			22	50.0

Benefits of Top Executives

The "critical few" in the organizations are well-paid. Included in the top executive sweets are: bonuses (84.1%), automobiles (75.0%), executive medical check-up (72.7%), parking (65.9%), and life insurance premiums (63.6%). Other responses included: management development program (2.3%) and tax shelter (2.3%).

3. What are the reasons for granting employee benefits?

The top five (5) answers are: to offer incentives for productivity/performance (72.7%); to address practical needs or concerns (70.5%); to attract the best and the brightest people (65.9%); and to reward exemplary performance/service (63.6%).

4. How do organizations communicate the benefits package to its workers?

Communication is very important in benefits administration. For purposes of developing communication plan on employee benefits, 72.7% of the respondents said they gather first information on employees' attitudes, opinions and perceptions.

And the widely used methods in generating information on employee's attitudes, opinion and perception on employee benefits are the following: informal network (40.9%); interviews with top management (34.1%); questionnaires (29.5%); interviews with HR staff (29.5%); focus groups (20.5%); and one-on-one interviews. Other methods cited in the study include the following: LMC meetings, and suggestion box.

Respondents (95.5%) claimed they take time out to communicate to their employees the benefits program. Only 2.3% said, they don't. The most common way to communicate employee benefits is through the bulletin boards (90.9%). Printed materials come in next such as newsletters (47.7%), manager/employee sessions (45.5%), and benefit manuals (43.2%). Circulars/memos account to 4.6% and orientations 13.6%.

Figure 2. BENEFITS OF TOP EXECUTIVES

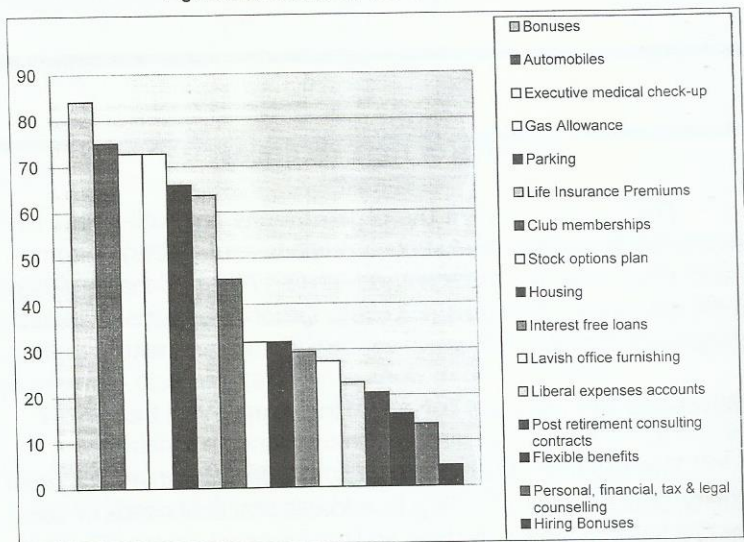


Figure 2. Benefits of Top Executives

5. What are the typical problems attendant to employee benefits administration?

Majority of the respondents said it is the HRM department (93.2%) which is responsible for the smooth implementation of employee benefits in the organization. Interesting to note is that 18.2% said it is the president of the company who administers employee benefits.

The typical problems confronting benefits administrators are: lack of appreciation of employee benefits (72.7%) and perception that what is being given as employee benefits is not enough (61.45%).

Summary/Conclusion

The following can be derived from the findings of the study:

1. The major considerations in benefits planning are: cost or affordability, legal requirements, employee needs, community or market practice, and company philosophy.
2. The typical non-statutory benefits are medical and dental programs which have an in-house clinic, part-time company physician, part-time company dentist, and a tie-up with laboratories. Upon regularization, employees are entitled to employee benefits. Medical insurance plans are noncontributory with coverage including employee and dependents. Basic coverage of medical insurance plans are: daily room and board, with maximum limits per illness, surgical benefits and doctor's fees.
 - The most available loans are: emergency loan, and car loan.
 - The common type of retirement plan is the defined benefit plan.
 - The prevalent type of insurances are: life insurance and accidental death and dismemberment.
 - The favorite payment for time not worked are: vacation leave, sick leave, bereavement leave and emergency leave.
 - The most popular employee services are: uniforms, meal benefits, and rice benefits.

- The most popular type of bonus is the Christmas bonus, and performance bonuses.

- Executives receive substantial perks. Most typical executive perks are: bonuses, automobiles, executive medical check-up, gas allowance, parking space, and life insurance premiums.

3. Most benefits originate from management, followed by the CBA and then by the LMC. There were cases wherein dual sources are being reported. An explanation is that while a benefit was being granted by management, during CBA negotiations, parties opted to agree to incorporate the same in the CBA contract.

4. The typical reasons why benefits are granted are as follows:

- to offer incentives for better productivity/performance;
- to retain the best and the brightest people;
- to address practical needs or concerns;
- to attract the best and the brightest people; and
- to reward exemplary performance or service.

5. Majority of the companies gathered information on employees' attitudes opinions and perceptions. Popular methods used are informal networks, interview with top management, questionnaires, interviews with HR staff, focus group discussions, and one-on-one interviews.

6. Majority of the companies attempted to communicate to the workers the benefits package. Typical medium in communicating is the bulletin board.

7. Majority of the companies tasked HRM of smooth implementation of employee benefits.

8. Most pressing problems on employee benefits are:
- lack of appreciation by employees; and
 - a belief that the benefits are not enough

Thorough planning is a crucial step in the field of employee benefits. Administration is just as important to keep benefits plans cost-effective, goal-oriented and legally safe. Moreover, employee benefits programs ought to be regularly evaluated to determine the extent to which the benefits are meeting company needs; to ascertain the impact on employee morale; and to assess overall success.

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