

The Meralco Employee Stock Ownership Plan (ESOP) in the Context of Industrial Relations

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Vital to the challenge of economic dynamism and competitiveness amidst globalization is not only the performance but the prospects for growth of the major economic sectors and industries. Businesses are now faced with new challenges and demands brought about by changes in the environment, structural adjustments, new technology, product competition, changing work processes, etc. which both management and workers should address. Indeed, industrial relations is a most important facet of the scene, not to mention that industrial relations is a major indication of a country's economic development.

The Manila Electric Company or MERALCO is one such utility that has the biggest share in the distribution of electric power in the country which has begun adapting to the changing business environment. The MERALCO Employee Stock Ownership Plan or ESOP is one of its adaptation strategies.

Employee Stock Ownership Plans (ESOPs) started as an American experiment to broaden the ownership of capital by giving incentives to corporations that give stocks to their employees. In the Philippines, like in other countries that have ESOPs or other similar forms, ESOP programs are becoming part of the trend in the industrial environment.

Objectives and Methodology of the Study

This study aims to take an in-depth look into the ESOP of MERALCO and its implications to industrial relations. Specifically, the study aims to achieve the following: (1) document the current employee stock ownership plan and its structure and mechanisms; (2) determine the extent employees benefit from the Plan as well as the constraints to their participation; (3) identify the factors that affect its acceptability to the participants; (4) find out the effects of such management-initiated program to the company; and (5) determine top management's view as regards the possibility of legislating ESOP.

The methods used in the research are data-gathering from secondary sources, interviews with management as well as union authorities, and stratified survey of employees.

The researcher interviewed three persons representing the management. Officers of the two employees' unions, one for the rank-and-file and the other supervisory, were also interviewed.

From the 120 survey forms randomly distributed, 70% or 85 employees responded. The respondents were selected in coordination with the ESOP Office so that all offices, except the ESOP Office, were represented. The ESOP Office then prepared a list of target respondents given the pay levels specified.

Of the 85 respondents, 56% belong to the rank-and-file, 34% are supervisory employees, and 10% are managerial.

COMPANY BACKGROUND AND ESOP HISTORY

Overview of the Company

The development of electric power in the Philippines virtually began with the establishment of the Manila Electric Company or MERALCO. MERALCO is a private utility company which supplies and distributes the bulk of electricity for Metro Manila, its outlying areas as well as other areas in the country. Among the 139 electric utility distributors nationwide, it is the biggest and ranks fourth by gross revenues among the top corporations in the Philippines.

Originally in the hands of American owners for six decades, Filipino ownership of MERALCO was made possible in 1962 when the company was sold to a group of Filipinos headed by Eugenio Lopez, Sr.

During the Martial Law regime, President Ferdinand Marcos decreed government ownership of the company, along with other big companies in the country. The company was handed to Kokoy Romualdez, brother of the First Lady Imelda Marcos. After the EDSA Revolution in 1986, the admin-

istration of President Corazon Aquino implemented reprivatization program of some government-owned and controlled corporations through the Committee on Privatization. The MERALCO was included in the privatization program.² In the end, the Lopezes were able to recover their ownership shares of MERALCO while the rest were offered to the stock markets. MERALCO to date has 88,000 stockholders making it the second most widely-held company in the Philippines.

To date, MERALCO has a number of subsidiaries and is engaged in numerous joint ventures and purchase power contracts with independent power producers or IPPs.³ Starting with street railway and autobuses in 1903 and 2,000 customers in 1941, total MERALCO sales today constitute 59% of the country's total electricity consumption and 78% of that of Luzon, making it the fourth biggest firm in the Philippines in terms of gross revenues.⁴

Although virtually a monopoly, MERALCO continues to expand despite the absence of competition. It has instituted major changes to improve organizational effectiveness by spinning off a number of its former divisions and decentralized many of its operations. Requisite to the transformation process dubbed as MERALCO 2000, it is presently undergoing a "paradigm shift"⁵ that is requiring basic changes in line with the trends associated with globalization and competitiveness. The company aims to be a world class utility. Its Total Quality Management or TQM speaks of total customer service, process reengineering, transformation of its Information System, Kaizen, etc.

As of December 31, 1995, employees counted 7,997 averaging 18 years in length of service.⁶ The company has two certified unions. The MERALCO Employees and Workers Association or MEWA is the bargaining unit that represents the rank-and-file employees in their negotiations with management. MEWA has more than 4,000 members,⁷ with Mr. Numerriano Villalobos as the President since 1978. On the other hand, the bargaining unit that represents the supervisors is the First Line Association of MERALCO Supervisory Employees or FLAMES.

Rationale and History of the ESOP

The first offering of the MERALCO ESOP was in July 1989 and the 10th offering in September 1996. However, the concept of ESOP was nothing new to the people in MERALCO when it was first offered, at most to the old timers who have worked in the company for more than fifteen years.

MERALCO first introduced and experimented on a stock ownership plan in the late 1960s. However, not much enthusiasm among employees nor

response was generated as the shares offered were very limited (one share for each employee) and therefore gains were minimal. Nonetheless, the program was short-lived as Martial Law was declared shortly after the stocks plan was implemented. People's apprehensions on the economic environment at that time affected stocks investments attitude in the country.⁸

The present ESOP was initiated in 1988 and was dubbed "Ilaw ng Kinabukasan" (Light of the Future) in line with the program's thrust to provide additional income or alternative financial source for the future of the employee and his/her family. The period between the process of conceptualization to the formal First Offering comprised mostly of the information drive by management with the MERALCO President himself, Mr Eugenio Lopez, Sr., campaigning "room to room, office to office, branch to branch" for the programs acceptance.⁹ Mr. Manuel M. Lopez, and a few top management people formulated the plan. Earlier, when the idea of setting up an ESOP in MERALCO was still being conceptualized, the Union President of MEWA was among those advocating for its conceptualization. Later however, the union opted to be excluded in the Plan's formulation phase.¹⁰

What basically influenced Mr. Lopez to set up ESOP is the company's concern for the employees and their families by sharing ownership with them through ESOP. In return, the employer would expect, to enhance the employees' loyalty to the company, manifested in increased commitment and productivity among its workers.¹¹

In the first offering in 1989, 69 percent of the employees, mostly from the managerial and supervisory ranks, availed of the ESOP at P90 per share. About 30 percent of the employees opted not to participate due to certain factors, namely: the rejection of some employees of the ESOP as a result of union's attitude to the program, the unfavorable experience with the stocks ownership plan offered twenty years ago, and the inability of some employees to afford additional deductions from the take-home pay.

As of the third quarter of 1996, seven years since the first offering, participation rate of employees to the ESOP is 99%. The remaining one percent have not availed because of their almost zero take-home pay.

The total ESOP shares so far availed of is less than five percent (between 3 to 4) of the company's total common stocks, a fact that makes the company President expect that at this rate, representation in the ESOP Board by an employee-stockholder is not yet possible.¹²

Mechanics of the Plan

The Objective. The objective of the ESOP is to allow and encourage regular and retired employees of MERALCO to share in the ownership and profits of the Company by giving them special opportunity to own com-

mon shares of stock of MERALCO at a reduced price and on a deferred payment basis. In return, the company expects to solicit the loyalty of its employees. Along this line, the management believes that relevant to the realization of the desired transformation process of MERALCO is the commitment of the employees to the company.

Structure. The ESOP Board is tasked with policy formulation. It is composed of five members from the management rank who are all appointed by the MERALCO President. The Board oversees the implementation of the Plan and decides, with finality, on any matter which may arise regarding its implementation.

Coverage of the Plan. The ESOP covers the sale of MERALCO's authorized and unissued common shares in the aggregate number not to exceed 25 million shares.

Offering Period. The Board of Administrators determines subsequent offerings for the remaining unsold common shares. All applications to purchase are submitted to the Board within the offering period. Upon acceptance of the application, a contract of sale called "Stock Purchase Agreement" is executed between the Board and the applicant.

Participants. All regular employees of MERALCO and its subsidiaries and affiliates as well as retirees during the offering period may participate in the Plan. Members of the Board of Directors who are not employees or retirees of MERALCO are not eligible to participate. Purchase of shares by employees from subsidiary companies has however been implemented only recently, in terms less favorable compared to direct employees of the mother company.

Number of Shares Per Participant. The maximum value of shares a participant may subscribe to must not exceed an employee's six months compensation or a retiree's twelve months pension. Minimum number of shares that an interested employee may obtain is 25 shares. However, a participant can purchase only such number of shares the aggregate value of which is within the employee's Take-Home-Pay Limit. That is, each employee should have a take-home pay of at least 40% of his/her regular salary, after deducting all his/her company payments, regular contributions, and ESOP subscription.

Purchase Price Per Share. The price of stocks given to employees is discounted at 80% of the weighted average daily closing market price at the Philippine Stock Exchange during a 30-day calendar period that ends two weeks before the start of the offering period. In addition, interviews revealed that the offering period is usually scheduled when the prices of stocks in the stock market are at the lowest, so that employees could buy more shares.

Method of Payment. The main mode of payment of the stocks purchased is through salary deductions. Payments are made in 120 consecutive semi-monthly installments for employees and 60 consecutive monthly installments for retirees within a period of five years, without interest. Pre-payments are not allowed within the holding period from date of purchase.

Holding Period. The first three years from the purchase date is the holding period during which the shares cannot be pledged, transferred, encumbered, or pre-paid. The holding period was extended from the original two years to three years to better meet the objectives of the plan. The extension of the holding period should also enable employees to hold on to their stocks longer and hence realize long-term ownership.

Withdrawal from the Plan. In case of retirement, a participant could opt to either continue payment for his purchase through deductions from his pension or withdraw from the Plan. In case of resignation or involuntary lay-off, the following shall apply: the purchase is deemed canceled if the resignation or involuntary lay-off occurs within the holding period; or the participant shall withdraw from the Plan if the resignation or involuntary lay-off occurs after the holding period. In case of dismissal for cause, the purchase is deemed automatically canceled.

A feature so far unique to MERALCO ESOP is the Mortgage Redemption Insurance (MRI) by which in case of death of a participant who is a regular employee or retiree, the outstanding purchase price shall be deemed fully paid and the stock certificate/s shall be released to the participant's lawful heir/s.

Default. If a participant fails to pay his amortization on time and fails to respond to the notice, the participant is deemed in default and his purchase is considered automatically canceled. In such an event, the participant shall receive a refund of all payments made, less all cash dividends (net of taxes, if any), while all shares resulting from the declaration of stock dividends credited to the participant shall revert to the Plan.

Rights. Once the ESOP Board approves the participant's purchase, he becomes entitled to all cash and stock dividends declared on the shares. Cash dividends shall be remitted to the participant while stock dividends shall be held in escrow until the shares have been fully paid. Voting rights on all purchased shares and all shares resulting from the declaration of stock dividends shall be exercised by the participant.

Transferability. The shares cannot be pledged, transferred or encumbered within the holding period. Violation of such policy shall result in the cancellation of subscriptions and disqualification to participate in any ESOP offerings.

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Changes in the Basic Plan

The September 1996 ESOP is basically the same as the First Offering in 1989, except for two important policy changes and some amended guidelines for the subsidiaries.

For the Tenth Offering (September 1996), the holding period is longer than the original two-year span. The ESOP Board decided to add another year because of the company's experience with the previous ESOPs in which heavy selling occurred immediately after the expiration of the holding period resulting to two negative effects. First, selling immediately after two years somehow defeats one basic purpose of the MERALCO ESOP as the expected gains for the participant is not as much as what could be gained when selling after three years. Second, simultaneous or heavy selling consequently dilutes major stockholders' stocks investment profile.¹³

The other important policy change is the deletion of the plan's provision allowing the submission of proofs of other income/s as additional basis for an employee's entitlement to shares and capacity to pay such. This no longer applied in the 10th offering as the ESOP Board has found out that, aside from the employees' difficulty in paying cash, there were cases in which the so-called other incomes do not actually exist and if any these were just meager commission percentages realize by the employees from non-regular economic activities.¹⁴

For the MERALCO subsidiaries, the maximum discount (of the usual market price) is 10% and the basis for computing the maximum value of shares a participant may subscribe to has been shortened from six to four months compensation.

These changes were implemented in the 10th Offering¹⁵ as a result of the company's evaluation of the ESOP program and its past offerings. This took some time thus, the 22-month gap between the 9th Offering and the 10th Offering.

GAINS, BENEFITS AND PROBLEMS ENCOUNTERED

Gains and Benefits

Much reflected in the perception of the employees surveyed are the stated objectives of the program, that ESOP is a means by which they can become co-owners and from which the employees can benefit in the future, not only for themselves but for their families as well. The concept of the ESOP Program as "Ilaw ng Kinabukasan" has probably been internalized by the participants due to the intensive information campaign made by the top management prior to the first offering and the various communication modes

that have been made to date. Of lesser percentage but nonetheless significant is the perception of number of respondents that the MERALCO ESOP is a form of financial assistance and a means to help them save.

Table 1. General Perception by Employees of the ESOP

Questions	Responses & Rank	Percent
a) Why did Management set up the ESOP?	1) Make them co-owner 2) Ilaw ng Kinabukasan 3) Great Help 4) Generate malasakit 5) Teach employees to save	29 % 29 % 17 % 10 % 6 %
b) Is your company a preferable place to work in because of ESOP?	1) Yes 2) No 3) Maybe	87 % 6 % 7 %
c) Are employees better off with ESOPs?	1) Yes 2) No 3) Not Sure	87 % 1 % 12 %
d) Is the company better off with ESOPs?	1) Yes 2) No	78 %

Consistent with the data on ESOP participation rate, survey results revealed that the plan was initially met with hesitation which is likely due to the unfamiliarity with the gains of stocks ownership. The initial 70% participation rate gradually improved especially when stock prices appreciated and tangible benefits were received by the first participants. The interviews conducted confirmed these survey findings.

Moreover, an overwhelming majority of the respondents agreed that the presence of the ESOP program could very well affect their decision-making of work preferences favorable to MERALCO. Proportionally, respondents agreed that employees are better off as a result of the ESOP due mainly to the financial benefits derived resulting to better standards of living and ownership and enjoyment of goods considered luxuries. In the same way, availing of ESOP shares is, first and foremost, an investment for the participating employee. As a stockholder, he/she receives dividends realized in cash and additional shares that eventually turn into more cash. This additional income makes it possible for the employee to obtain his/her economic needs and afford some luxuries which could not be obtained through one's salary alone.

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Table 2 lists the gains and benefits obtained through ESOP shares of the employees. Almost half of the respondents were able to buy their own house/lot and auto vehicles which are definitely not inexpensive purchases. Indeed, in the research visits to MERALCO in Pasig, this researcher was impressed by the full-packed parking lots — Mr. Lopez remarked with pride that, before the ESOPs, this was not the scene in the compound.¹⁶ Even the union had something to say about this economic benefit — “a smart employee who has worked in MERALCO for about five years should have been able to purchase a house, or lot, or a second-hand private vehicle, at least even through loan/financing”.¹⁷

Another 33 percent of the employees were able to pay supposedly long-term loans, while 16 percent used the gains from ESOP for educational provisions for their children and to purchase appliances. Thirteen percent considered ESOP a form of savings. A considerable 11 percent used their ESOP gains for overseas travels/tours. The other gains from ESOP cited are day-to-day expenses, emergency expenses, hospitalization and medication, wedding payments or for other occasions, and for other investments including stocks.

Table 2 - Gains and Benefits Obtained Through the ESOPs

House and/or lot	48%	Day-to-day expenses	8%
Financial Security	18%	Emergency expenses	6%
Loan Payments	33%	Business capital	6%
Education of children	16%	Hospitalization/medication	5%
Appliances	16%	Wedding, other occasions	5%
Savings	13%	Stock investments	2%
Travels abroad	11%		

An item in the survey further confirmed the benefits and gains ESOP gives to the employees — 86 percent of the respondents perceived that MERALCO employees-participants are better off with ESOP. Moreover, similar benefits or gains are hoped to be obtained from ESOP in the future (Table 3).

Table 3 - Wished to be Obtained in the Future thru ESOPs

House and/or lot	38%	Travels abroad	11%
Vehicles	44%	Auto vehicles	10%
Education of children	14%		
Investments/business	11%	Appliances	1%

On the part of the employer, loyalty to the company, commitment to corporate objectives and targets, and eventually higher productivity levels and efficiency are the benefits expected to have been gained. Measuring the returns of ESOPs to the company in terms of commitment and productivity is so far limited to the following indicators: 1) co-ownership is a motivating factor to work harder, 2) hardwork improves company performance and therefore improves value of stocks, 3) there is a willingness to work harder among ESOP participants, 4) stock ownership helps improve loyalty/dedication of employees to the company, and 5) MERALCO is better off as a result of ESOP.

Problems Encountered

Twelve regular employees and one retiree have been disqualified so far by the ESOP Board to participate again in any offerings as they were found to have violated the rule of not selling their shares within the holding period from the date of purchase.¹⁸ There are actually more who practice the same "illegal selling" but manage to conceal the act. These employees justify their act as a result of the dire need for cash which the ESOP shares could provide.

In the survey, the perceived problems and disadvantages of the ESOP cited by most employees are the following: take-home pay policy of 40% that not only limits purchases of ESOP shares but also practically disallows those receiving 40% to buy any shares at all¹⁹ and the inadequacy of shares allotted by the management for the employees especially those of the rank-and-file. One respondent complained of this unfair practice by which "managers always get bigger shares" than the rest of the ranks. An officer of the rank-and-file union echoed the same sentiment.²⁰ Furthermore, Mr. Militar recounted that the basis for shares purchased followed in the 8th offering was a better deal. The salary was the basis for the number of shares an employee can purchase, and there were no major problems encountered as a result of this policy.

ESOP AND IR/HR ISSUES

This section deals with other issues in the MERALCO ESOP that are specifically within the context of industrial relations/human resource, primarily gathered through interviews. It also presents the other perceptions of the employees as generated from the survey results.

Looking at the respondents' answers to the question, "Can stock ownership help improve the relationship of employees among themselves and among management?", a high 80 percent responded in the affirmative.

As to the initial reaction of the MERALCO employees/Union (MEWA was the only existing union then) to the ESOP during the campaign period and the initial offering in 1989, the specific initial reactions as perceived by the survey respondents could be summarized as follows: almost two-thirds of the respondents had doubts and apprehension of the Plan; about 16 percent said that employees responded to ESOP with enthusiasm; six respondents related disinterest to ESOP due to their past experience with the previous stocks ownership plan of MERALCO in the 1960s; three respondents perceived that ESOP caused worry to the union while one respondent perceived that the employees thought the program was a "plot" by the management to deceive employees; two respondents saw ESOP in the light of mere additional deductions from salaries; and one respondent said that the Union campaigned against the program

The next question posed to the respondents was a follow-up to the above: "Did those attitudes change? Why?" Of the 85 respondents, six believed that their apprehensions had some bases, that stocks cannot be relied upon for stable financial security as "price of shares goes up and down", and that only the company benefits from the stocks. On the affirmative, 76 percent believed that the initial negative reactions to ESOP were premature or baseless, reflected as well in the other tables on the benefits/gains derived from the ESOP.

In general, however, the respondents believed that the company has genuine concern for the needs of its employees as 86 percent responded in the affirmative.

As to the five individual interviews conducted, similar questions were thrown.

The issue on the so-called MEWA's opposition to ESOP when it was first introduced and implemented particularly in 1988-1989 appears to have become a controversial issue. After seven years following the introduction of the ESOP, employees who are union and non-union members still have something to say about this matter. The President of FLAMES had some points to stress as well.

It may be said that one factor that has recently surfaced and somehow fueled this controversy is a study made in 1995 by Roel Sedano et al., graduate students of the UP School of Labor and Industrial Relations (UP-SOLAIR), on ESOPs in the country which included MERALCO. In the report, MEWA (the only union then) responded to the ESOP negatively.

Talks with Alex Morillo, an officer of MEWA then . . . revealed that the union was anti-ESOP. Accordingly, MEWA discouraged the employees to participate when the program was initially introduced. Instead, the Union wanted the Government (Cory Aquino) to take control of the Company and wrest its rein

from the same oligarch family (referring to the Lopezes). They were therefore against the privatization of MERALCO, per se. The union felt that the ESOP plan was an instrument of the Lopezes to take MERALCO back to its folds.

A Senior Stockholder Relations Assistant at that time recalled that during the first five months after the first offering, the union convinced some of its workers [members] to cancel their stocks, in protest to the deadlock in their negotiations.²¹ However, during the course of conducting interviews, this researcher gathered different and, at times, contradictory information/stories on the said issues.

IR and HR Aspects

Analysis of the industrial relations aspects of the MERALCO ESOP can best be made by starting with Dunlop's Industrial Relations System. As mentioned earlier, MERALCO is classicist Dunlopian organization.²² Other theories (i.e., Cooke, Purcell, Barbash, etc.) have also been considered to provide a more in-depth analysis.

In the MERALCO ESOP, the actors can be identified in the formulation and implementation of the plan. The management is composed of the MERALCO President, the Board of Directors, Vice-Presidents, down to the managers and administrators. The idea of setting up an employee stock ownership plan in MERALCO was basically the idea of the highest official, the first Filipino president of the company, Eugenio Lopez, Sr. In the formulation phase, the top management solely worked on the plan, and later created the ESOP Board of Administrators to handle policy formulation and oversee implementation.

The workers or employees' response to this management-initiated program can best be described by the reaction and position of the union (MEWA) as the organized body of workers representing the voice of the workers.²⁴ The union was not supportive of the ESOP at first. In fact it tried discouraging workers from participating and even convinced some participants to cancel their stocks.²⁵ After the First Offering, and eventually witnessing the gains from ESOP investments by the employees-participants, the union had a change of heart and now refers to the ESOP as "extra income".

As to the role of the government in the ESOP of MERALCO, it is not directly involved either in the formulation or implementation of the plan. The Securities and Exchange Commission or SEC is the government agency that supervises and regulates the securities industry to which ESOPs belong. Moreover, the Government influenced the granting of stock plans to employees through Republic Act No. 1143 in accordance with the government's thrust for greater social equity by distributing wealth more widely, in this case, sharing company profits to employees.

The MERALCO ESOP can be viewed as part of the company's business strategy decisions in line with the paradigm shift called "The Transformation" it is presently undertaking.

In terms of the environment ESOP operates within, the three components identified by Dunlop are present. The technical context, in relation to ESOP, very well refers to the technological innovations the company has lined up in accordance to MERALCO 2000. These technological innovations through TQM and other such strategies are necessary for the business enterprise to maintain its status as one of the top corporations in the country. Moreover, the market or budgetary constraints relative to the ESOP is characterized by the financial status of MERALCO that enables it to institute the ESOP.

As for the third context, the locus and distribution of power in the larger society, this is reflected at how rule-making outside the IR system of MERALCO is effected regarding the ESOP. Presently, the SEC is the one responsible for the supervision and regulation of the securities industry which includes the stock market and which further covers ESOPs. A stock option plan in a company is subject to the requirements of the SEC such as registration, compliance to certain SEC rules, etc.

Analysis of the industrial relations aspects of the program can be further enriched by taking a deeper look into the web of rules²⁷ and processes resulting in the relationships of the actors and environmental contexts.

The MERALCO ESOP's mainly objective is to share company ownership with the employees through dividends distribution. However, the concept of enterprise rationality which boils down to maximization of profits is not missing.²⁸ The company expects workplace productivity enhancement in the end. Employees who are ESOP participants are counted upon to be more loyal, to safeguard the company from the potentials that would harm the business, and to meet profit targets.²⁹ The self-reports gathered through survey revealed that the company would not regret its decision in instituting the ESOP.

As to the response of the Union when the present ESOP was first introduced in 1989, this can be analyzed through Dunlop's concept of compatibility and within the framework of Cooke's industrial relations system. According to Dunlop, there must be a set of common ideas and beliefs that defines the role and place of each actor, which helps bind or integrate the system together as an entity and that, if there is no compatibility among the views of the actors, the relationship within the work environment will be regarded as volatile and unstable.³⁰ In addition, Cooke said that the focus of industrial relations is on the relationship between the workers and the managers. The common denominator of the employment relationship is that both

worker and manager actively seek maximum control of a set of formal and informal rules that define and govern the employment relationship.³¹

MEWA, the only union in MERALCO then, is characteristically adversarial. The pattern of relationship between management and union could be classified as antagonistic constitutionalism which is characterized by low trust and high formalization in the conduct of their relations³² as evidenced by their CBA negotiations, series of deadlocks and the need for jurisdiction of the Department of Labor and Employment to settle the conflicts. Moreover, the First Offering coincided with the 1989 CBA in which management did not grant MEWA's demand for wage increase which later resulted to a deadlock. This was the time ESOP was scheduled for its First Offering to which the union has reportedly given certain "inputs" which management ignored. The union wanted that the number of shares available for subscription to employees be equal to everyone and not be based solely on the capacity to pay. Added to this, the President of MERALCO himself was very visible, busily campaigning for the ESOP. Thus, MEWA considered it a "natural thing" in the course of events to oppose this management-initiated ESOP program "to cause some irritants" to the top management.

From the viewpoint of Cooke, this case further illustrates a classicist power struggle between the actors in an industrial relations system, each attempting to maximize control of work rules in order to maximize utility and that greater control allows the actor to better select the type, and to better attain the magnitude of rules it seeks.³⁴ In the ESOP, the management has the upperhand or has more relative power over the union in terms of the plan's policies and guidelines. The management insists that the ESOP program is an "extra" benefit initiated by management for the employees. On the part of the union, it tried to utilize ESOP in its initial stage to strengthen its power in the context of CBA negotiations. This antagonism however, started to fade away as the union and the workers, as a whole, witnessed and experienced the benefits of the ESOP. Thus, the union admitted to having conflicting views on ESOP, in the light of its potential to weaken the union, and a window of opportunity particularly during collective bargaining because the higher the negotiated wage, the more ESOP shares.

The ESOP has been packaged by management to make it appear that it is an extra economic benefit provided by the company to its workers. However, management also admitted that it expects, in return, the loyalty of the employees to the company which would ultimately translate into higher efficiency and increased productivity. The management also added that ESOP is a relevant part of MERALCO's on-going "paradigm shift" or "Transformation" in line with the MERALCO 2000 Project.³⁵ As pronounced by a MERALCO official, ESOP is a means for the MERALCO employees to

have a stake in the company "since in the future you can't raise, raise, raise wages".³⁶

Lawler said that innovations are necessary for an organization situated in a rapidly changing environment and that an important aspect the human resource management should give focus to is the development of the capabilities of an individual as a worker.³⁷ In the case of the MERALCO ESOP, the human resource department believes that making some provisions for the employees to feel co-owners of the company eventually contributes to the corporate goal of achieving increase commitment and higher productivity levels. This premise is also reiterated by Nadler who considered human resource development as one of the fundamental tools to improve the performance of workers.³⁸ In the two surveys conducted and interviews held, the MERALCO management is apparently getting what it aimed for regarding the ESOP.

Using other viewpoints, the ESOP of MERALCO in a human resource contextual analysis can be considered as an HR strategy that creates a culture and climate which posters a sense of "mutuality" among employees and employers.³⁹ Similarly, human resource development (HRD) strategies are means by the employer to soften job control and scientific management, so that Taira warned that human resource management (HRM) programs may include paternalistic concessions in the form of various employee participation/gain-sharing schemes such as ESOPs.⁴⁰ Another theorist went further by believing that HRM is "amoral and anti-social, unprofessional, reactive, uneconomic and ecologically destructive since it extracts the added value of labor as means to an end, which is the business pursuit."⁴¹ The latter was, in fact, the source of apprehension of the workers particularly in the introduction stage of the program. Even to date, the gains and benefits the ESOP provides have not been able to totally diminish this apprehension — ESOP somehow breeds frustrations and disappointments among the relatively low-grade senior employees for their lesser capacity to participate. Like promotions, ESOP may hamper the genuine development of a worker who should continuously struggle for his rights that are aimed for his growth.

CONCLUSIONS

The MERALCO Employee Stock Ownership Plan has for its objective the sharing of ownership and therefore the profits of the company to its workers as an expression of the owners' concern for the employees and their families. The Plan offers the employees of MERALCO, its subsidiaries and affiliates, and its retirees, a percentage of the company's capital stocks at dis-

counted prices and on a deferred-payment basis, a scheme that allows ordinary workers to purchase stocks not ordinarily possible in the open stock market.

Indeed, true to its objective, ESOP has made it possible for most employees-participants to economically benefit from the Plan and even realize their dreams, enabling a number to purchase house/lot, car, pay loans, send children to school, travel abroad, etc. To some extent and to some employees, ownership of a number of shares in the company makes them proud to be called stockholders and therefore co-owners of the company.

The program, however, has not been conceptualized without its own expectation. The management aims to eventually and indirectly benefit from the Plan through productivity returns as a result of increased commitment and efficiency of the ESOP participants-employees. Thus, the survey results showed that most of the MERALCO employees perceived themselves to be more loyal, more committed and more motivated to work because of the presence of their ESOP shares.

Moreover, critical analyses of the Plan within the contexts of industrial relations and human resources frameworks suggest that gain-sharing schemes such as ESOPs have other faces aside from the economic benefit these surely bring to the employees. Companies make provision for ESOP for their employees with usually a second thing in mind, if not the first thing, to get far more from their investment (the ESOP). Through ESOP, employees are more loyal to the company, more committed to the corporate goals and targets. This, per se, is not bad at all. It is indeed good for all. It is commendable. In MERALCO, the same is true.

What is to be guarded, though, is the plan's marginal effects, the yet invisible effects it might bring to the industrial climate and to the individuals as workers. For one, in the ESOP of MERALCO, the workers have barely no voice in the conceptualization, policy formulation and implementation of the Plan.

Finally, this researcher believes that the genuine development of the person as a worker also lies in his involvement in the whole labor process. Gain-sharing will be valued more, not only looked upon with its economic potentials, if accompanied by shared rule-making process. Thus, it is recommended that the employees be given a voice in the structuring and policy formulation of the ESOP in MERALCO. With the 99% participation rate to the ESOP, the employees will surely want nothing but to further improve the Plan.

In this sense, the ESOP will truly live up to its name, "Ilaw ng Kinabukasan."

Footnotes

¹ Main reference: Manila Electric Company, "The MERALCO Story," Manila, 1951, pp. 5-6.

² Roel Sedano, et. al., Employee Stock Ownership Plans in the Philippines: Case Studies of Three Private Corporations (SOLAIR-UP, 1995), p.25.

³ Luisa M. Campos, Ma. Olivia A. Francisco, et. al., IR and HR in the Manila Electric Company (SOLAIR, Second Semester 1995), p. 3.

⁴ 1995 MERALCO Annual Report (MERALCO, 1995).

⁵ Interview with Mrs. Leonarda Dela Llana, Assistant VP and Head of Corporate Services.

⁶ Campos, p. 4.

⁷ Interview with Mr. Ramon Militar, Executive Secretary of MEWA.

⁸ Interview with Mr. Militar.

⁹ Interview with Mr. Manolo Lopez, MERALCO President.

¹⁰ Ibid.

¹¹ Ibid.

¹² Ibid.

¹³ Interviews with Mr. Lopez and Ms. Macariola.

¹⁴ Ibid.

¹⁵ Newly incorporated in the Plan's mechanics at the time this paper was being written.

¹⁶ Interview with Mr. Lopez.

¹⁷ Interview with Mr. Militar.

¹⁸ Interview with Ms. Macariola.

¹⁹ This is also reflected in the MERALCO Survey in 1994 as shown in Appendix C.

²⁰ Interview with Mr. Militar.

²¹ Sedano, p. 27

²² Ibid.

²³ As pronounced also by Dr. Maragtas Amante of UP-SOLAIR.

²⁴ Ibid., p. 14.

²⁵ Interview with Militar.

²⁶ Dunlop, p. 13.

²⁷ Ibid.

²⁸ Jack Barbash, *The Elements of Industrial Relations*, Madison, Wisconsin, University of Wisconsin Press, 1984, p. 1.

²⁹ Interview with Lopez.

³⁰ Dunlop, p.53.

³¹ William N. Cooke, "Toward a General Theory of Industrial Relations" in *Advances in Industrial and Labor Relations*, vol. 2, JAI Press, Inc., p.226.

³² John Purcell, *Good Industrial Relations*, London, McMillan Press, 1981, pp.11-20.

³³ Interview with Militar.

³⁴ Cooke, pp.227-229.

³⁵ Interview with Dela Llana.

³⁶ Ibid.

³⁷ Edward E. Lawler, "From Job-Based to Competency-Based Organizations" in *Journal of Organizational Behavior*, vol. 15, 1994, pp. 3-6.

³⁸ Leonard Nadler and Zeace Nadler, "HRD in Perspective" in *Human Resources Management and Development Handbook*, New York, American Management Association, 1994.

³⁹ Patrick Flood and Thomas Turner, "Human resource strategy and the non-union phenomenon", *Employee Relations*, vol. 14, no. 2, pp. 5-16.

⁴⁰ Frederick Winslow Taylor, *Scientific Management*, New York, Harper and Row, p.103.

Koji Taira, "Capitalism and Modes of Production: Craftmanship, Mass and Lean Production and Beyond" in *Research in International Business and International Relations*, vol. 6, p.106.

⁴¹ Tim J. Hart, "Human Resource Management: Time to Exorcise the Militant Tendency" in *Employee Relations*, vol.15, no.5, p.29.

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