
EMPLOYEE BENEFIT PROGRAMS OF SOME PHILIPPINE FIRMS

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This paper presents data on the benefit programs of a sample of Philippine firms belonging to the financial services, manufacturing, utilities and other sectors. The data have been obtained through a questionnaire survey of managerial and non-managerial respondents in these firms. The study reveals the form of benefits considered most important in employee choice of employers as well as in the employee's decision to stay with the firm. The study shows some similarities and some differences in the choice of which benefits are important among respondents belonging to different levels in the organization.

The objectives of a firm's compensation system generally are: (1) to attract people to work with the company, (2) to motivate employees to remain with the company over time and (3) to motivate good performance or high productivity on the job.

A company's "compensation system" generally consists of direct monetary payments for employee services (wages and salaries) and indirect and non-monetary rewards (benefits). Some forms of benefits are required of employers under Philippine laws while other benefits are given by employers as part of company policy as a result of collective bargaining agreements (CBA). The present study sets out to gather data on the benefit programs of some Philippine firms and the extent to which these are perceived to accomplish the objectives described above.

METHODOLOGY

A survey questionnaire (see Exhibit A) has been answered by 102 managerial and 95 non-managerial employees of 47 companies belonging to the financial services, manufacturing, utilities and other business sectors in the Metro Manila area. Due to funding constraints, the sam-

ple has been drawn primarily from the working Master of Business Administration (MBA) students of the University of the Philippines.

Ninety of the 197 respondents or 45.7 percent are employed by financial institutions, 54 or 27 percent belong to the manufacturing sector, 8 or 4.5 percent work for utility companies and the remaining 45 or 22.8 percent belong to various industry sectors such as publishing, mining, real estate development, management consulting and construction.

Majority (55 percent) of the respondents from the non-managerial category have been employed by their present employers for less than three years, while 25 percent and 17 percent have been employed by their present employers for 3 to 5 years and over 5 years, respectively. At the middle-management level category, 38 percent have been employed by their present employers from 3 years to 5 years, and, 40 percent for over 5 years. Only 22 percent of the respondents from the middle-management level category have been employed by their present employers for less than 3 years. For the top Management level category, 44.5 percent of the respondents have been employed by their present employers for less than 3 years; another 44.5 percent have been employed by their present employers from 3 to 5 years and the remaining 11 percent have been employed by their present employers for over 5 years.

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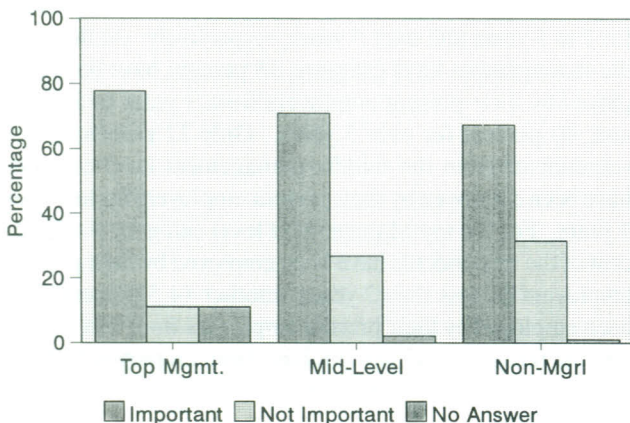
Table 1
TOP 5 BENEFITS CONSIDERED IMPORTANT IN
STAYING WITH FIRM-EMPLOYERS

NON MANAGERIAL		MIDDLE-LEVEL MANAGERS		TOP-LEVEL MANAGERS	
Rank	Benefits	Rank	Benefits	Rank	Benefits
1	Medical/Hospital	1	Medical/Hospital	1	Medical/Hospital
2	Housing Loan	2	Housing Loan	2	Housing loan
3	Car Loan/Car Plan	3	Car Loan/Car Plan	3	Insurance/car/stock
	Retirement Plan/Rice	4	Bonuses/Productivity		options/perks e.g. club
	Subsidy	5	Other loans		membership
4	Insurance				
5	Other loans				

The questionnaire dwells on two areas: Sections I to V identify the types of company benefits received by the respondents while Section VI seeks their perceptions on the following:

- o The importance of benefits as a consideration in the decision to stay with the firm
- o Which company benefits are considered as critical factors relative to the decision to stay
- o Whether benefits are considered when the decision to join the company is made
- o Other benefits which are desired by the employee
- o Preference as to more benefits or higher salary
- o The role of unions in the design of the company's benefit program

Chart 1 - Importance of Benefits
in the Decision to Stay with Employer



In addition to the data derived from the survey questionnaire, CBAs of some Philippine firms have also been reviewed for this study. Interviews with some managers have also been conducted to look into other aspects of company benefit programs not included in the questionnaire.

SURVEY FINDINGS

In addition to the legally prescribed benefits (SSS, GSIS, Medicare, etc.), some private and government corporations provide other benefits to their employees as part of the employee's total compensation package. Based on the survey data of the present study, Table 1 shows the top 5 benefits considered by the employee respondents as important consideration in their decision to stay with their employers. Table 1 ranks these benefits according to the highest number of respondents that considered the particular benefit important. The table also shows separately the responses of three levels of respondents, namely: non-managerial employees, middle-level managers and top managers.

For all the three categories of employees (non-managerial, middle-level and top management), company medical and hospital benefits were considered important by employees in their decision to stay with their employers. This may be attributable to the prevailing high cost of hospitalization and the relatively low amounts given by the government for medical and hospital expenses thru the SSS, GSIS, and Medicare.

Housing and car loans have also ranked high in the survey. While PAG-IBIG Fund provides housing loans, the loan ceiling for individual employees generally falls short of the minimum amount required for the purchase of land and construction costs. Real estate prices in the Metro

Table 2
TOP 5 BENEFITS THAT EMPLOYERS SHOULD PROVIDE

NON MANAGERIAL		MIDDLE LEVEL MANAGERS		TOP LEVEL MANAGERS	
Rank	Benefits	Rank	Benefits	Rank	Benefits
1	Bonuses	1	Car Loan/Car Plan	No response	
2	Housing Loan	2	Housing Loan		
3	Medical/Hospital	3	Medical/Hospital		
4	Car Loan/Car Plan	4	Profit-Sharing		
5	Transportation Allowance/Service	5	Retirement Plan		

Manila area have significantly increased during the last six years while government loan ceilings have remained constant. Thus, firms which could provide higher loan ceilings at lower than market interest rates are able to retain their employees longer.

Likewise, the high outlay costs of cars and financing costs probably explain why company car plans/ loans are considered by many employees as important factors in their decision to stay with their company employers. Furthermore, the inefficient public transportation system makes it necessary for household units to acquire their own vehicles, aside from the perceived status of owning a private vehicle. Company financed automobile acquisition may

“lock-in” an employee to a firm for the duration of the financing period.

For middle-level managers, bonuses or productivity incentives are given special consideration. On the other hand, top level managers consider stock options as important. Through these performance-based benefits, companies share with managers the positive outcomes of managerial decisions. Managerial incentives are discussed more lengthily towards the end of this paper.

Respondents who do not enjoy the benefits listed in Table 1 have indicated the type of benefits that they feel employers should provide to their employees (See Table 2).

For all categories of respondents, the majority has indicated that they considered company benefits when they applied for positions with the firms and in their decision to stay with the firm. (See Tables 3, 4 and Chart 1). The survey data, classified by industry sector (financial, manufacturing and utilities) as shown in Table 4-A and Chart 2, reveal these findings for all sectors.

Table 3 IMPORTANCE OF BENEFITS IN THE SELECTION OF EMPLOYER				
Category	Important	Not Important	No Answer	TOTAL
Top Management	3	4	2	9
Middle-Level	46	38	9	93
Non-Managerial	50	23	22	95
TOTAL	99	65	33	197
Percent of TOTAL	50	33	17	100

Table 4 IMPORTANCE OF BENEFITS IN THE DECISION TO STAY WITH EMPLOYER				
Category	Important	Not Important	No Answer	TOTAL
Top Management	7	1	1	9
Middle-Level	66	25	2	93
Non-Managerial	64	30	1	95
TOTAL	137	56	4	197
Percent of TOTAL	70	28	2	100

ROLE OF UNIONS

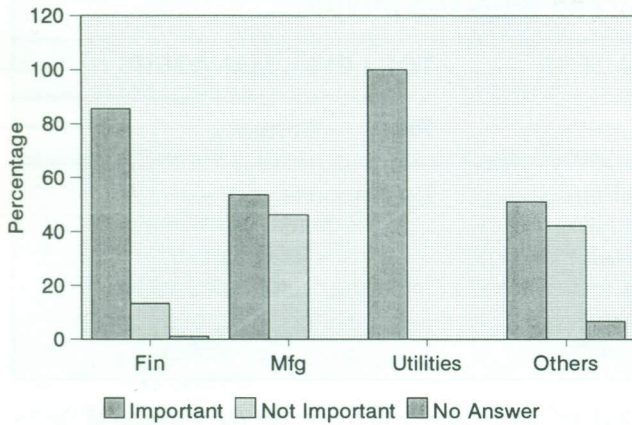
In a study in the 70s, Gordon and LeBleu² have noted that the stronger a union is in a company, the greater is the amount spent by the company on benefits. The authors have also reported on the effect of union initiatives on the grant of various benefits such as cost-of-living adjustment for wages, salaries and hazard-protection plans, parity of benefits between white-and blue-collar workers, the conversion of blue-collar workers from daily wages to salary, etc.

A study by Hoerr³ indicates that in 1990, union membership in the U.S. industry has dropped to 12.1 percent of

²Gordon, T. and Le Bleu, R.E. "Employee Benefits, 1970-1985," *Harvard Business Review*, January-February, 1970.

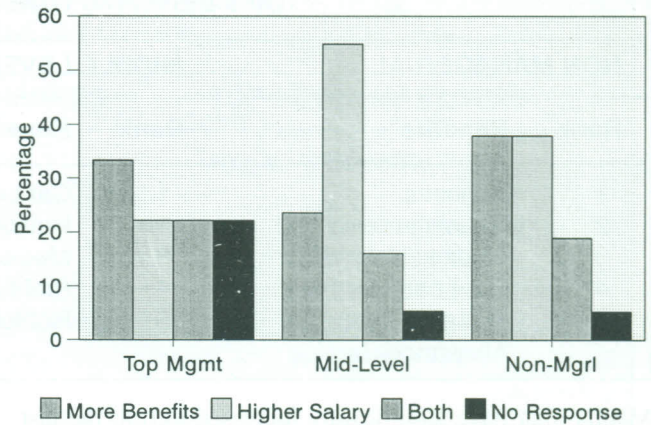
³Hoerr, John. "What Should Unions Do?," *Harvard Business Review*, May-June 1991.

Chart 2 - Importance of Benefits in the Decision to Stay with Employer



the total employed work force from 30 percent twenty years previously. Hoerr predicts that if the trend continues, the union share of the private sector force would shrink to 5 percent by the year 2000. The author has attributed the decline in union membership primarily to the development of more professional human resource programs in American companies. Human resource programs include mecha-

Chart 3 - Preference as to More Benefits or Higher Salary



nisms such as quality circles which involve employees in decisions on the job as well as non-union grievance procedures for dispensing workplace justice. Such programs evidently help convince employees that they do not need an independent union.

In the Philippines, some companies provide employee benefits as a result of bargaining agreements between man-

Table 4-A
IMPORTANCE OF BENEFITS IN THE DECISION TO STAY WITH EMPLOYER

Category	Important	Not Important	No Answer	TOTAL
Financial				
Top Management	3	1	0	4
Middle Level	37	5	1	43
Non-Managerial	37	6	0	43
Total	(77)	(12)	(1)	(90)
Manufacturing				
Top Management	2	0	0	2
Middle Level	14	7	0	21
Non-Managerial	13	18	0	31
Total	(29)	(25)	(0)	(54)
Utilities				
Top Management	0	0	0	0
Middle Level	3	0	0	3
Non-Managerial	5	0	0	5
Total	(8)	(0)	(0)	(8)
Others				
Top Management	2	0	1	3
Middle Level	12	13	1	26
Non-Managerial	9	6	1	16
Total	(23)	(19)	(3)	(45)
TOTAL	137	56	4	197
Percent of TOTAL	70	28	2	100

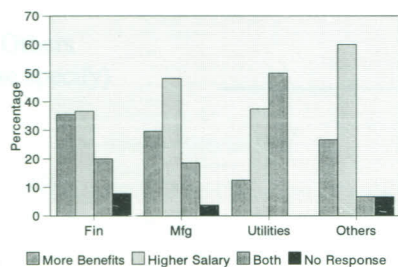
Table 5
PREFERENCE AS TO MORE BENEFITS OR HIGHER SALARY

Category	More Benefits	Higher Salary	Both	No Response	TOTAL
Top Management	3	2	2	2	9
Middle-Level	22	51	15	5	93
Non-Managerial	36	36	18	5	95
TOTAL	61	89	35	12	197
Percent of TOTAL	31	45	18	6	100

Table 5A
PREFERENCE AS TO MORE BENEFITS OR HIGHER SALARY

Category	More Benefits	Higher Salary	No Both	Response
Financial				
Top Management	1	1	1	1
Middle Level	10	21	8	4
Non-Managerial	21	11	9	2
Total	(32)	(33)	(18)	(7)
Manufacturing				
Top Management	1	0	1	0
Middle Level	8	9	4	0
Non-Managerial	7	17	5	2
Total	(16)	(28)	(10)	(2)
Utilities				
Top Management	0	0	0	0
Middle Level	0	2	1	0
Non-Managerial	1	1	3	0
Total	(1)	(3)	(4)	(0)
Others				
Top Management	1	1	0	1
Middle Level	4	19	2	1
Non-Managerial	7	7	1	1
Total	(12)	(27)	(3)	(3)
TOTAL	61	89	35	12
Percent of TOTAL	31	45	18	6

Chart 4 - Preference as to
More Benefits or Higher Salary



agement and labor unions. In the present survey, of the forty-seven companies represented, 60 percent or 28 firms are unionized and majority of the respondents still considers the active role of the unions as significant in upgrading employee benefits and salaries.

MANAGERIAL INCENTIVES

Tables 1 and 2 indicate that managers (middle and top levels) give important consideration to benefits that are provided to their position levels only, e.g., productivity incentives/bonuses and club membership. Profit-sharing schemes are especially important because these schemes seem generally available only to managerial employees.

Under a profit-sharing scheme, managers receive additional compensation equivalent to a certain percentage of their department's or of the total company's profits. Though profit-sharing is one of the most established ways of motivating managers to maximize firm performance, experience in large companies has shown that a reliance on this incentive scheme often leads managers to make decisions which maximize the company's short term performance -- sometimes at the expense of the company's long term performance.⁴ An example of this is when managers cut down on research and development expenses to increase the firm's reported profit for the year, but at the sacrifice of needed improvements in the company's product which may hurt the company in the long run. One of the ways to minimize the foregoing type of problem is through the use of stock options.

Some Philippine firms like San Miguel Corporation, Phinma, and Ayala-owned companies award stock options to their managers. Under this scheme, managers are given

⁴Anthony, Dearden and Bedford. **Management Control Systems** (Homewood, Illinois, Irwin, 1989).

the right to purchase a certain number of the company's shares of stock at a predetermined price (sometimes below market price and on installment basis) for a specified time period. When managers buy company shares of stock and become part owners of the firm, they are induced to consider not only the short term but also the long term profitability of the firm. Stock options have also been used to provide managers income tax advantages since gains on sale of stocks are not taxable as ordinary income.⁵

The survey also indicates that life-style improvement benefits such as club membership, travel abroad (with family members), discretionary funds, longer vacation leaves, representation allowance and other benefits that enhance the standard of living of managers are considered important in their decision to remain with their employers. As with gains from stock options, these represent tax-free income.

MORE BENEFITS VERSUS HIGHER SALARY

Table 5 and Chart 3 show data on preferences of survey respondents as regards increases in salaries versus increases in benefits.

The data suggest a preference by top manager respondents for more benefits as against higher salary. This may be because of the tax benefits. Middle level managers, on the other hand, prefer higher salaries for various reasons. Some of these are: 1) to meet cost of living needs 2) higher salary substitutes for benefits which are not available for the manager position level; and, 3) the salary level is the basis used in computing retirement benefits. For the survey as a whole, higher salary is preferred over higher benefits. The survey data classified according to industry sectors (See Table 5-A and Chart 4) show the same finding.

CONCLUSIONS

In conclusion, the study reveals the following:

- o Company benefits over and above those which are prescribed by law through the SSS, Medicare and the Pag-ibig Fund, are considered important factors in the employees' decision to stay with the firm. In addition, prospective employees weigh these benefits in their selection of an employer. Thus, in order to attract and retain deserving personnel, progressive companies provide additional benefits.

- o Majority of the respondents still considers that unions play an important role in upgrading employee benefits.
- o While most of the respondents enjoy company benefits, majority, particularly the middle-level managers, still prefers higher salaries to more benefits.
- o Middle level and top level managers consider such benefits as productivity incentives or bonuses and stock options (as a means of profit-sharing) important in their decision to stay with employers. This signals that special consideration should be given to the design of managerial incentives because of the important role managers play in committing company's resources and in determining the direction that the company will take in the future.

REFERENCES

- Gordon, T. and Le Bleu, R. E. "Employee Benefits, 1970-1985," **Harvard Business Review**, January-February, 1970.
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- Anthony, Dearden and Bedford. **Management Control Systems** (Homewood, Illinois, Irwin, 1989).
- Rodriguez, Rafael and Echanis, Erlinda. **Fundamentals of Management** (Manila, Diwata Publishing, 1990).
- Tucker, Robert B. **Managing the Future** (New York, G.P. Putnam's Sons, 1991).

⁵Ibid.

EXHIBIT A

This questionnaire is in connection with the research project of Professor Erlinda S. Echanis (U.P. College of Business Administration) on the employee benefits program of some Philippine firms. Kindly accomplish all necessary information needed without missing out on details. All information supplied will be held in strict confidence and used only for statistical purposes.

Thank you very much for your cooperation.

 Company Name / Employer _____

Position in the Company _____

Please check appropriate box for classification:

- Non-managerial
 - Factory worker
 - Clerical
 - Technical (e.g., Programmer)
 - Others (Please specify) _____
- Junior Management Level
- Middle Management
- Top Management

Present Monthly Salary _____

Number of Years in the Company _____

I. Company Loans or Loans Available to Employees. (Please indicate applicable information needed.)

Type of Loan	Maximum Amount Given	Interest Rate	Term	When is this made available to employees? How many years after hiring? Position related?
<input type="checkbox"/> Car Loan/ Plan	_____	_____	_____	_____
<input type="checkbox"/> Housing Loan	_____	_____	_____	_____
<input type="checkbox"/> Salary Loan (other than SSS/GSIS)	_____	_____	_____	_____
<input type="checkbox"/> Others (please specify)	_____	_____	_____	_____

II. Insurance other than SSS/ GSIS Benefits

Type	Benefits
<input type="checkbox"/> Health and Security	_____
<input type="checkbox"/> Life	_____
<input type="checkbox"/> Accident	_____
<input type="checkbox"/> Others (please specify)	_____

III. Leaves (Please indicate if may be accumulated and/or maximum number of days allowable.)

1. Paid vacation leaves _____ days/ year
maximum number of days that may be accumulated _____
2. Paid sick leaves _____ days/ year
maximum number of days that may be accumulated _____
3. Leave without pay _____ days/ year
4. Other types of leaves
(please specify) _____ days/ year

IV. Perquisites

1. Travel Privileges
 - a. Who in the company organization are given these? _____
 - b. Other members of the family who can avail of these _____
 - c. How much and what does it include? _____
2. Car Service

Type of car _____ Value P _____

With driver? Yes _____ No _____

When is this benefit available to employee (specify years of service or position as necessary)?

3. Sports Club Membership

Name of sports club _____

Annual Membership fee chargeable to firm? Yes _____ No _____

Other expenses chargeable to the company _____

4. Others (Please specify)

V. Other Benefits

1. Christmas bonus in addition to 13th month pay Equivalent to _____ months _____

2. Profit Sharing (Please indicate amount per year or company formula.)

3. Cafeteria/ Food benefit

Subsidized by company? _____ How much subsidy? _____

4. Clothing/Uniform allowance P _____ per year or _____ pieces of uniforms per year

5. Other bonuses given during the year

Equivalent to _____ months _____

6. Retirement Benefits _____

7. Stock Options (Right to purchase company stocks) _____

8. Company Housing Project Available to Employees for Ownership

Lot only _____ Terms _____

House & Lot _____ Terms _____

9. Others worth mentioning _____

VI. Please answer the following pertinent questions as briefly and completely as you can.

1. Do you consider your company benefits program as an important consideration in your decision to stay with the firm?
 Yes No Comments:

2. Which of the company benefits do you consider as critical factors relative to your answer in no. 1? Why?

3. Did you consider these Benefits when you applied to the company?

4. What other benefits do you think should your company give to its employees/ managers?

5. Which do you prefer: More Benefits or Higher Salary? Why?

More Benefits Higher Salary

6. UNIONS

Is your company unionized? _____

Are you a member of a union in your company? _____

What is the role of unions in your company with regards to your Benefits Program? _____