

**BENCHMARKED FRAMEWORK TOWARDS STRENGTHENING THE EARLY
RETIREMENT PROGRAM FOR THE HOTEL INDUSTRY IN THE PHILIPPINES**

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Abstract

The study primarily aimed to provide a framework through benchmarking on existing early retirement programs (ERPs) for the hotel industry in the Philippines. To answer the objectives of this study, the researcher used a combination of descriptive and quantitative research as research designs. The research was conducted only within the Metro Manila area where most of the de luxe class hotels are located. The target subjects of the study are the de luxe class hotels. The choice of samples for the respondents is based on their knowledge level about the subject matter and the accessibility of the available personnel in the target samples. After consideration of all the findings of this study, the researcher proposes a spectrum of conditions of practices governing the management initiated early retirement program (MI-ERP). In case hotels will put up a management initiated early retirement program (MI-ERP), the spectrum will be useful in correctly positioning their ERPs. Analysis of the spectrum further indicates a chance of higher probability of availment of targeted employees whenever a company applies a higher spectrum.

Keywords: early retirement program, retirement, tourism, hotel

INTRODUCTION

The hotel industry can be a cure to our country's existing unemployment problems, as it can generate jobs and contribute to the country's gross domestic product (GDP). However, there is a need to maintain highly skilled employees to meet hotel industry standards. Likewise, there is a need to streamline employees in the hotel industry in order to survive and to save in unnecessary labor cost. The increased worker protection will emerge from the employees themselves, and more business owners will come to realize the value of taking good care of workers. Productivity requirements will be more intense and the notion of "survival of the fittest" will be the appropriate trend. Hence, every worker is always expected to be physically fit for demanding and potentially stressful work that hastens the aging process. Tourism and hospitality companies will continue to employ modern technology to save on labor costs. The

table of organization of companies will continuously evolve to find greater efficiencies. Strategic business units that are less efficient and incurring losses will be dropped from the company's portfolio.

An early retirement program (ERP), also known as early retirement incentive program (ERIP) to some, is a technique to reduce future labor costs. There is definitely one big payment or cash outlay during the first few months that the program is implemented, but succeeding payroll period will see a substantial reduction in labor costs. By way of illustration, a company may have accepted the optional early retirement application of 10 employees and paid out Php. 6.25 million but would be looking forward to an annual payroll savings of Php. 3.25 million. An ERP has possible benefits to an organization, whether belonging to a medium scale or small scale industry, and these are reduced labor costs, replacement of poor performers, increased innovation, and opportunity for greater diversity.

Conducting a study of the ERP in the tourism industry may prove to be promising because of its interesting demographics composition in terms of age, and its continuing high turnover employee rate. By way of particularity, the hotel industry in the Philippines can be a benchmarked study for the ERP, not only because of its developed and organized human resources department, but also because of the existing and available research data already conducted by the researcher.

The study provided a framework through benchmarking on existing early retirement programs (ERPs) for the hotel industry in the Philippines. Specifically, it answered the following questions:

1. What are the best practices of the selected hotels in the implementation of management-initiated early retirement programs in terms of the following:
 - 1.1 eligibility criteria;
 - 1.2 early retirement date and processes;
 - 1.3 program offerings;
 - 1.4 administration of the retirement plan?
2. How do the respondents see the extent of the problems encountered in the implementation of the management-initiated early retirement program in terms of the following?
 - 2.1 employees' attitude
 - 2.2 financial and capital factors
 - 2.3 external factors
3. Is there a significant relationship between the implemented best practices by the selected hotels and the problems encountered in terms of the foretasted variables?

4. Based on the findings of the study, what benchmarked framework can be developed to strengthen the early retirement program for the hotel industry in the Philippines?

The source of data consisted of attitudinal surveys which were administered to the respondents. The areas investigated from the respondents covered the following: (1) The best practices in the implementation of management-initiated early retirement program (MI-ERP) of the selected hotels in terms of: *eligibility criteria, early retirement date and processes, program offerings, and administration of the retirement plan*; (2) The extent of the problems encountered in the implementation of the MI-ERP in terms of: *employees' attitude, financial and capital factors, and external factors*. (3) Suggestions to improve the implementation of the MI-ERP.

The foundation for recommending a benchmarked framework was deduced from the opinions of Appelbaum, Patton & Shapiro (2003), Davis (1995), Feldman (2003), Suathong (1996), Berry (1998), Richie (1998), Gersten (1983), Dalde (1977), Plaza (1977), Espinosa (1998), De Castro (1996) and Cabulay & Carpio (2009).

The survey instruments utilized for this study are carefully designed based on the opinions gathered by the researcher on her initial study and opinions cited by Hallberg & Eklof (2010), Zhang (2010), Coates (2009), Herrbach, Mignonac, Vandenberghe & Negrini (2009), Cabulay & Carpio (2009), Hermoes, Sollie & Strom (2000), Sears (2008), Makinde (2005), Appelbaum, Patton & Shapiro (2003), Salgado-Mendoza (2000), Buchrer (1998), Berry (1998), Conroy (1996), Kumelachew (1995), Kim (1995), Richie (1998), Crooker (1995), Mutschler (1995), O'Connor (1996), Gersten (1983), Plaza (1977), Dalde (1977), David (1980), and Baltz (1984).

In devising instances of employee attitudes as a variable that hinder the implementation of ERP, emphasis was given on the different possible cognitive responses of the employees on policies implementing the ERP as a stimuli work factor, giving importance to the point of view of Robbins (2005).

THEORETICAL AND CONCEPTUAL FRAMEWORK

Herzberg's motivation-hygiene theory consists of factors as indicators of satisfaction (for motivation factors) and dissatisfaction (for hygiene factors). Heller and Hindle (1998) highlighted that a manager should set-up a foundation that would initially try to fulfill employees' financial need. This is based on the premise that people require certain pay levels to meet their needs, and slow income progression and ineffective incentives may quickly demotivate. Using Herzberg's motivation-hygiene theory with emphasis on Heller and Hindle (1998) as reference, the current research came up with a premise that in developing a benchmarked framework towards the strengthening of ERP for the hotel industry in the Philippines, recommendations

and suggestions to improve the ERP should answer the following question: “How will the less productive employees voluntarily accept the ERP as an incentive?”

RESEARCH METHODOLOGY

The research was conducted within the Metro Manila area where most of the de luxe class hotels are located. Metro Manila is the hub of hotels with de luxe class classification as accredited by the Department of Tourism. The subject hotels in this study were composed of the de luxe class hotels located in Metro Manila. Table 1 below shows the names of the sample hotels with MI-ERP.

Table 1: List of De Luxe Hotels in Metro Manila offering MI-ERP:

1)	Manila Hotel
2)	Century Park Hotel
3)	The Peninsula Manila
4)	Mandarin Oriental
5)	Dusit Thani Hotel
6)	Sofitel
7)	Manila Intercontinental Hotel
8)	EDSA Shangri-la Hotel
9)	Makati Shangri-la Hotel
10)	Hyatt Hotel and Casino

The major instruments used in gathering the data are as follows:

- 1) Questionnaire - the subject matter of the questionnaire will be composed of (i) Management; (ii) Employees.
- 2) Documentary Analysis - Articles from recent newspapers, journals and the internet were also considered in order to have updated information for the study. Moreover, documentary analysis also involved analysis of samples of the retirement plans (submitted to the Bureau of Internal Revenue) and collective bargaining agreements involving hotels (submitted to the Bureau of Labor Relations, Department of Labor and Employment).
- 3) Unstructured interviews - these were used in the questions from selected respondents regarding matters that may further clarify the data obtained from the written survey.

ANALYSIS AND FINDINGS

The data obtained were classified according to the requirements of the study. These data were analyzed and the statistical results are interpreted in this chapter. Tables and figures are included to provide a mental picture of the results.

Best Practices in the Implementation of MI-ERP.

Eligibility Criteria

As operationally defined, *eligibility criteria* refers to qualification requirements for employee coverage which may consist of age requirement, employment status (regular or temporary), and minimum years of service. This may also refer to eligibility requirements (such as service credit, salary base credit, and age credit) that will be utilized for purposes of calculating retirement benefits.

The main purpose of measuring *eligibility criteria* is to determine the process on how the hotel industry rewards its deserving employees for loyalty. At the same time, measurement of *eligibility criteria* determines how the hotel industry uses the tools involved to improve productivity and quality of output of employees.

This area obtained an overall grand mean of 3.19 which means that the company implements the identified best practice effectively for the most part, but not to the fullest extent due to lack of set guidelines or other reasons.

Overall, respondents perceived the following as strengths: (1) a consultant (actuary) is hired to determine eligibility requirements for employee coverage; (2) the ERP is offered based on a percentage of the salary; (3) the ERP is offered based on the number of years of service of the employee with the company; (4) eligibility requirements for the ERP are determined through a cost-benefit analysis; and (5) the ERP is a voluntary program where all eligible employees are invited to apply.

Respondents in its overall assessment perceived the following practices as “Rarely Implemented”: (1) eligibility requirements for employee coverage is initially planned with the HR department and employee representatives; and (2) there is a quota on the number of employees who must apply for the early retirement package before the ERP will be implemented.

Early Retirement Date & Processes

As operationally defined, *early retirement date & processes* refer to the strategies in implementing the early retirement program effectively once the applicant becomes qualified for early retirement.

The purpose of measuring the implementation of the best practices of MI-ERP in terms of early retirement date & processes is to ensure that the ERP is relevant, understood, and satisfactory. The implementation of MI-ERP in terms of early retirement date & process received a grand overall mean of 2.84 which means that companies in the hotel industry implement the identified best practice effectively for the most part, but not to the fullest extent due to lack of set guidelines or other reasons.

Overall, respondents assessed the following practices as “Always Implemented”: (1) Policies on retirement benefits and privileges are put into writing; (2) salary schedule specifying the basis of compensation calculation is provided to eligible employees; (3) downsizing activities initiated by the Human Resources Department are properly planned; (4) counseling interviews are initially conducted for eligible employees; (5) the processing of the ERP is less than two (2) months; and (6) eligible employees receive their early retirement benefits a month after effectivity of retirement.

Overall assessment of respondents reveals the following practices as areas for improvement: (1) Succession planning is conducted to determine business needs once the employee accepts the early retirement; (2) a research study is conducted to determine whether the early retirement program offered will have an impact on employee morale and working behavior; (3) committee is appointed to study the feasibility of providing early retirement benefits to employees; (4) to prevent poaching, high performers are offered a better compensation program for staying with the company; and (5) ERP is offered continuously, all year round.

Program Offerings

The implementation of MI-ERP in terms of program offerings received a grand overall mean of 2.82 which means companies in the hotel industry implement best practices effectively for the most part, but not to the fullest extent due to lack of set guidelines or other reasons.

Overall, respondents assessed the following practices in terms of program offerings as strengths: (1) lump sum payments or termination incentive bonus over and above the minimum requirements prescribed by the law is given; and (2) explanation of the ERP benefits to employees made through public announcements.

Respondents, in its overall assessment, answered that ancillary benefits on the retirement plan (i.e. hospitalization benefits, disability benefits, insurance benefits, car plan) are “Not Implemented At All.” Moreover, outplacement services/seminars and send-off gatherings to retiring employees are areas which needed improvement.

Administration of the Retirement Plan

Administration of the retirement plan refers to strategies on how the plan for early retirement will be managed effectively. The purpose of measuring the implementation of the best practices of MI-ERP in terms of *administration of the retirement plan* is to ascertain that ERPs are managed efficiently, adequately funded and implemented in a transparent manner.

The implementation of MI-ERP in terms of administration of the retirement plan received a grand overall mean of 2.88 which means that companies in the hotel industry implement best practices effectively for the most part, but not to the fullest extent due to lack of set guidelines or other reasons.

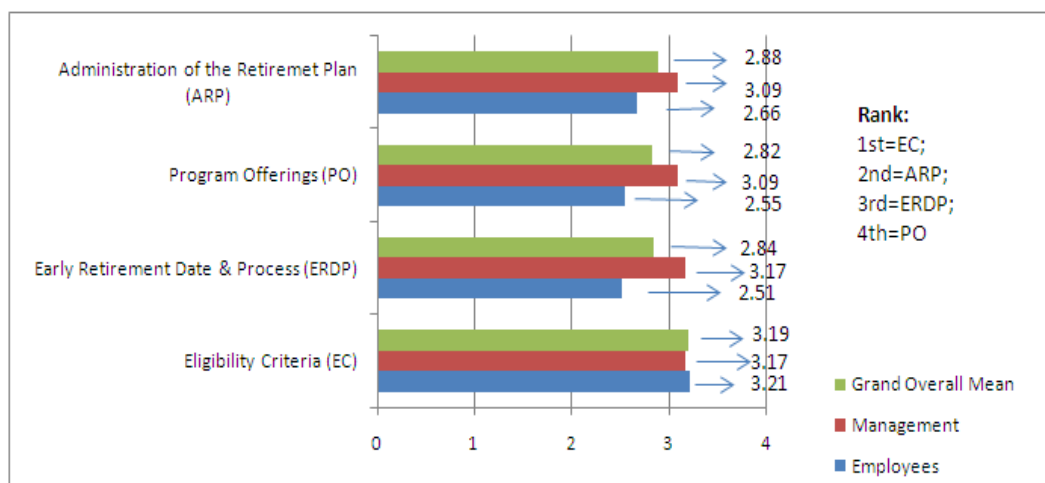
Respondents have assessed the following as strong points: (1) a dedicated staff is deployed to implement the processes such as announcement and promotions, documentation, pre-evaluation assessment, and discussion of employee benefits; (2) the retirement of a batch of eligible employees is approved by the highest officer of the company (i.e. President and/or General Manager); (3) the retirement fund of employees is managed correctly; and (4) the retirement fund of employees is spent only for retirement purposes.

Accordingly, respondents made an overall assessment on the following weak points in the administration of the retirement plan: (1) the employee associations and the Human Resource Department cooperatively put programs in place to educate employees about retirement options; (2) employees are allowed to participate in the decision-making process with respect to the management of the retirement plan; and (3) an exit interview is conducted to employees who availed of the ERP.

Summary of data for the Implementation of Best Practices of the MI-ERP

In order to provide a holistic view of the response of all the groups of key informants relative to the implementation of best practices of the MI-ERP, Figure 1 shows of the overall grand mean of all the response in terms of *eligibility criteria*, *early retirement date & processes*, *program offerings*, and *administration of the retirement plan*.

Figure 1: Summary of the Overall Mean for all the variables utilized in determining the Best Practices for the implementation of the MI-ERP



“Best practices” as operationally defined, refer to strategies on how the MI-ERP is implemented effectively which would yield superior results and that is used as a benchmark. These should emanate from motivations of hotels belonging to the de luxe class in terms of implementing management-initiated early retirement programs (MI-ERP) to its employees.

In the figure shown above, implementation of the best practice in terms of *eligibility criteria* ranks as the 1st with an overall grand mean of 3.19, while implementation of best practices in terms of *program offerings* received the lowest rank with an overall grand mean of 2.82. This means that as per overall response of the key informants of this study, the implementation of the MI-ERP is at its strongest in terms of eligibility criteria while the implementation of the MI-ERP is at its weakest in terms of program offerings.

Problems encountered in the implementation of the Management-Initiated Early Retirement Program (MI-ERP).

The factors considered were: *employees' attitude*, *financial/capital factors* and *external factors*. These factors were included in the written survey to obtain the actual constraints which hinder the attainment of effectively implementing the best practices of the MI-ERP by the hotel industry.

Employees' Attitude

Employees' attitude, which may hinder the implementation of the ERP, refer to the hotel employees' way of thinking and feeling towards a certain situation. It is important to measure employees' attitude as a variable, as this would clearly define the overall perception of the target beneficiaries (employees).

Overall assessment shows that respondents have expressed agreement in most of the circumstances applicable although they have reservations in exceptional situations. Respondents expressed their intense agreement on the following items: (1) eligible employees refuse to accept ERP because the ERP is not enough to compensate their future needs (like medical, education for children, insurance and hospitalization benefits); (2) eligible employees prefer to remain in the company to protect their security of tenure rather than avail of the ERP; (3) eligible employees in the company clamor for more worker protection (like hospitalization benefits, medical benefits) in addition to the ERP; and (4) employees are not accepting yet because they expect that a better retirement benefit will be offered in the future. The above results confirm that money is an extrinsic motivator and will continue to be an important motivating force (Pollack, 2010).

Financial/Capital Factors

As a variable which may hinder the implementation of the ERP, *financial/capital factors* refer to circumstances which affect the capacity or financial capability of hotels to provide ERP to its employees. There is a need to measure financial/capital factors as a hindrance in the implementation of the MI-ERP since much of the success of the ERP implementation is

anchored in the financial viability of the companies belonging to the hotel industry and the acceptance by the target beneficiaries (employees).

Overall, respondents have expressed their strong disagreement on the items as hindrance in the implementation of the ERP: (1) management cannot spare sufficient funds for the retirement plan; (2) the company is prioritizing less costly investments for employee incentives; (3) the company lacks investors to sponsor the ERP; and (4) management lacks resources to satisfy requests of eligible employees.

It is not true that companies in the hotel industry prioritize less costly investments for employee incentives. Moreover, companies invest more on revenue making projects so that employees participate in getting a share on service charge.

External Factors

As a variable which may hinder the implementation of the ERP, *external factors* refer to external situations which occur beyond the control of the employer of hotels. This may also include actions performed by competitor companies and other organizations independent from the operations of the employer of hotels.

There is a need to measure external factors as a hindrance to identify the impact of factors and entities outside the organization on the success of the ERP implementation.

Overall, respondents “*Strongly Disagree*” that both Unions and Union Federations intervene on behalf of the eligible employees for the implementation of the ERP. The reason for these results is that offering an ERP is a valid exercise of management prerogative unless the same is a violation of labor standards and labor relations laws where unions and union federations may be allowed to intervene.

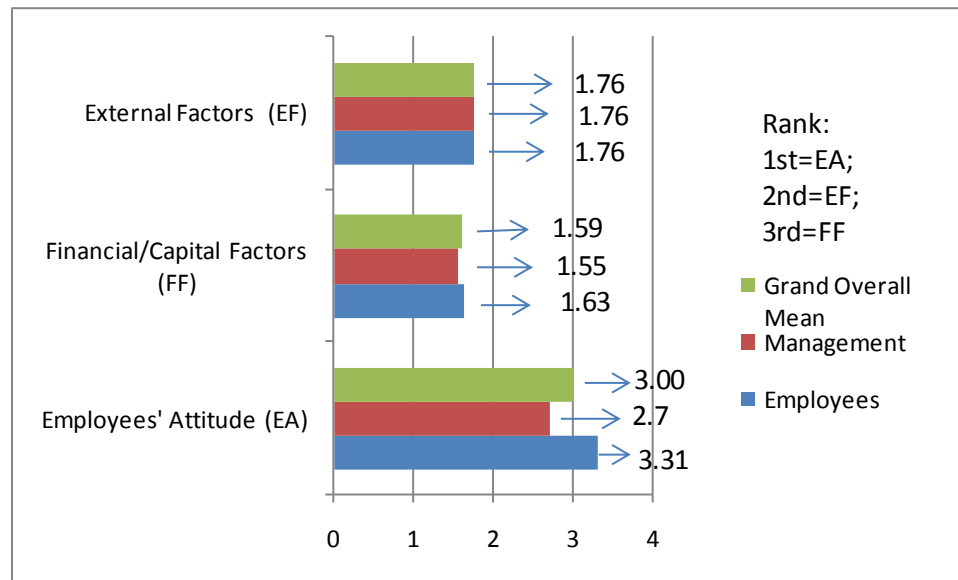
However, unions do not intervene but undertake a form of counter propaganda (an “under the table” strategy) to discourage the target beneficiaries (especially the low performers) to refuse the offer.

Respondents also *disagree* that: (1) rampant poaching of employees from different companies happen in case an early retirement program is offered by the company; and (2) unions intervene because it will result in lower collection of union dues and contribution.

Summary of data for the Problems Encountered in the Implementation of Best Practices of the MI-ERP.

In order to provide a holistic view of the response of all the groups of key informants relative to the problems encountered in the implementation of best practices of the MI-ERP, Figure 2 shows the overall grand mean of all their responses in terms of *employees’ attitude*, *financial/capital factors* and *external factors*.

Figure 2: Summary of the Overall Mean for all the variables utilized in determining the extent of problems encountered in the implementation of the MI-ERP.



In the figure shown, the problems encountered in terms of *employees' attitude* ranks as the 1st with an overall grand mean of 3.00, while financial/capital factors received the lowest rank with an overall grand mean of 1.59. This means that as per overall response of the key informants of this study, the hindrance in the implementation of the MI-ERP is at its strongest in terms of employees' attitude.

This confirms that dispositions and attitudes are critical factors that hinder policy implementation. (Edwards III {as cited by Makinde [2005]}).

Relationship Between Implementation of the Best Practices and Problems Encountered in the Implementation of Best Practices for the MI-ERP.

Table 2 presents the correlation data between the implementation of the best practices of the MI-ERP and the problems encountered in its implementation along the following areas: employees' attitude, financial factors and external factors.

There is evidence that the implemented best practices in terms of *early retirement date & processes, program offerings and administration of the retirement plan* have a significant relationship with the problems encountered in the implementation of the MI-ERP in terms of *employees' attitude*.

In terms of early retirement date & processes, the magnitude of relation with employees' attitude is low/definite at 11.22%; however, since the obtained p-value is lower than the significant level of $\alpha=0.01$, the null hypothesis is rejected as there is evidence of significant relationship between the implementation of the best practices in terms of early retirement date &

processes and problems encountered in the implementation of MI-ERP in terms of employees' attitude.

In terms of program offerings, the magnitude of relation with employees' attitude is low/definite at 6.45%; however, since the obtained p- value is lower than the significant level of $\alpha=0.01$, the null hypothesis is rejected as there is evidence of significant relationship between the best practices in the implementation of the MI-ERP in terms of program offerings and problems encountered in the implementation of MI-ERP in terms of employees' attitude.

Finally, in terms of administration of the retirement plan, the magnitude of relation with employees' attitude is low/definite at 4.84%; however, since the obtained p-value is lower than the significant level of $\alpha=0.01$, the null hypothesis is rejected as there is evidence of significant relationship between the implementation of best practices of the MI-ERP in terms of administration of the retirement plan and problems encountered in the implementation of MI-ERP in terms of employees' attitude.

Table 2: Relationship b/w implementation of the best practices of the MI-ERP and the problems encountered in its implementation

	Problems Encountered in the Implementation of the MI-ERP														
	Employees' Attitude					Financial/Capital Factors					External Factors				
Best Practices in the Implementation of the MI-ERP	r	r ² (in %)	P value (two-tailed)	Decision	INT.	r	r ² (in %)	P value (two-tailed)	Decision	Interpretation	r	r ² (in %)	P value (two-tailed)	Decision	INT
Eligibility Criteria	-0.015	0.023%	0.832	Accept Ho	Not Significant	-0.017	0.029%	0.816	Accept Ho	Not Significant	0.07	0.504%	0.325	Accept Ho	Not Significant
Early Retirement Date & Process	-0.335	11.223%	0.000	Reject Ho	Significant	-0.098	0.960%	0.172	Accept Ho	Not Significant	0.05	0.240%	0.493	Accept Ho	Not Significant
Program Offerings	-0.254	6.452%	0.000	Reject Ho	Significant	-0.054	0.292%	0.456	Accept Ho	Not Significant	0.04	0.137%	0.609	Accept Ho	Not Significant
Administration of the Retirement Plan	-0.220	4.840%	0.002	Reject Ho	Significant	-0.088	0.774%	0.220	Accept Ho	Not Significant	0.07	0.548%	0.308	Accept Ho	Not Significant

Alpha significant level 0.01

Description of the magnitude of relation (for r)

0.00-0.20 = Very low / negligible

0.21-0.40 = Low/ definite

0.41 - 0.60 = substantial / remarkable

0.61-0.90 = high

0.91- 1.00= very high to perfect

CONCLUSION & DISCUSSIONS

1. There is lack of set of guidelines in place for the implementation of the best practices of the MI-ERP.
2. However, years of service is the best criteria for eligibility in order to create a broad range of targeted employees. Emphasis for further improvement involve: a) careful succession planning with a well-crafted succession plan in place; b) career counseling to encourage low performers to accept and the high performers to decline; c) swift processing of the retirement benefits; and d) capacity to offer the MI-ERP all year round. Program offerings must not only involve monetary (lump sum benefits, healthcare benefits, insurance) but also non-monetary benefits (send-off gatherings and outplacement seminars. Legitimacy, support, financing and governance are factors for successful implementation.
3. Employees' attitudes of the targeted population are critical factors that hinder implementation of the best practices of the MI-ERP. Since financial factors are not problems for the implementation of the MI-ERP, employers of the hotel industry are financially capable of allocating a budget for the improvement in the implementation of the MI-ERP.
4. Employees' attitude is a potential problem in the implementation of the best practices of the MI-ERP in terms of *early retirement date & process, program offerings, and administration of the retirement plan*. This means that employees' attitude will be a triggering factor for the successful or unsuccessful implementation of the MI-ERP in terms of *early retirement date & process, program offerings, and administration of the retirement plan*. In this regard, money is an extrinsic motivator for influencing employees' attitude.
5. Any hotel organization can develop its own MI-ERP for its employees and the quality of the program depends on a spectrum of choices based on eligibility criteria, early retirement date & process, program offerings and administration of the retirement plan. Implementation entails investment and fund appropriation, but will result to the ultimate success of the program. However, a poorly managed MI-ERP faces numerous challenges such as delays in release of retirement funds to beneficiaries, non-availment of targeted low performers, and others resulting in an overall failure of the program.

After consideration of all the findings of this study, the researcher recommends the following framework in order to strengthen the early retirement program for the hotel industry in the Philippines:

Figure 3 represents a spectrum of conditions of practices governing the management-initiated early retirement program (MI-ERP). The brown spectrum represents an ideal best practice of the MI-ERP which offers a more liberal eligibility criteria; with very extensive support processes & continuous offering; with very generous and diverse benefits; and one which is very well managed and adequately funded.

Figure 3: Benchmarked Framework MI-ERP Model for the Hotel Industry in the Philippines

Eligibility Criteria	Early Retirement Date & Processes	Program Offerings	ERP Administration	Quality of ERP Framework
More liberal	Very extensive support processes & continuous offering	Very generous and diverse benefits	Very well managed and adequately funded	Best Practice
Moderately Liberal	Extensive support processes & continuous offering	Quite generous and diverse benefits	Well managed and adequately funded	Commendable
Limited	Moderate support processes & continuous offering	Limited benefits	Quite well managed and adequately funded	Industry Norm
Very Limited	Limited or no support processes & period offering	Basic benefits	Poorly Managed and inadequately funded	Unpopular/Poorly Managed

In case hotels will put up a management-initiated early retirement program (MI-ERP), the framework (Figure 3) will be useful in positioning correctly their ERPs. Analysis of the framework (Figure 3) indicates a chance of higher probability of availment of targeted employees whenever a company applies a higher spectrum. In other words, the higher the company reaches for a particular spectrum, the higher the probability of availment by the targeted employees necessary for streamlining the organization, maintaining the high performers, and removing the low performers; the lower the spectrum, the lower the probability of availment.

Figure 4 describes the process of how the benchmarked framework MI-ERP will be used. The process shall be applied for every variable used in the implementation of the best practices of the MI-ERP, namely: eligibility criteria, early retirement date & processes, program offerings and administration of the retirement plan. Per variable utilized, the course of action shall be as follows:

First, assess the company using the self-assessed interview sheet. (Appendix: Proposed Self-Assessed Interview Sheet);

Second, total scores shall be tallied based on the scale as assessed by the rater or assessor;

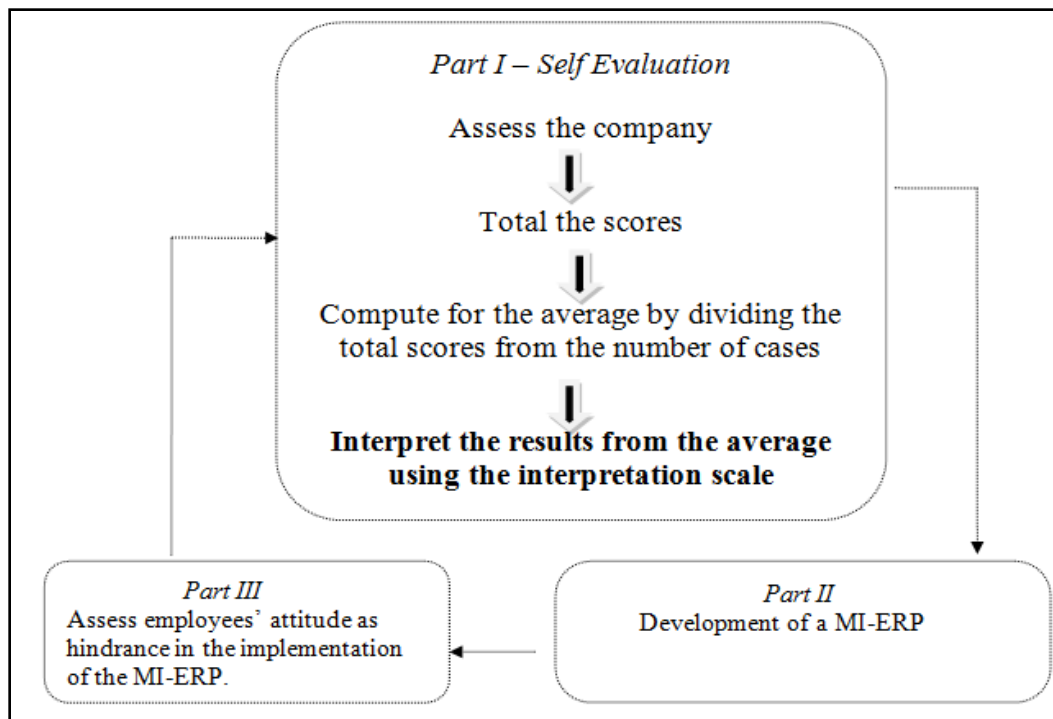
Third, average the total scores tallied by dividing the total scores from the number of cases per variable;

Fourth, interpret the results from the average using the interpretation scale. Use the interpretation scale as set forth in Table 3.

Upon completion of the above course of action, companies can now develop their MI-ERP based on the array of conditions of the framework (spectrum model) as proposed in Figure 3.

However, there is a need to regularly review the MI-ERP by assessing employees' attitude as a hindrance in the implementation of the MI-ERP.

Figure 4: Operational Framework in Implementing the Benchmarked Framework for Strengthening the Early Retirement Program for the Hotel Industry in the Philippines



The framework set forth in Figure 3 is useful in determining the current position of the company in terms of offering their ERPs and where it needs to focus to get better. Through assessment, companies can determine which elements of the framework are in place in their organization and which are not. Companies can create an interview sheet using the appended questionnaire (Appendix: Proposed Self-Assessed Interview Sheet). Responses to these questions provide an assessment about the company's strengths and weaknesses regarding the implementation of the best practices of the MI-ERP and will help companies focus on which criteria deserve the most attention.

The scoring criteria using Table 3 will be used to determine the quality of the implemented MI-ERP as classified in the framework:

Table 3: Scoring Criteria for the Determination of the Quality of the ERP using the Benchmarked Framework MI-ERP Model

3.26- 4.00	Best Practice	The MI-ERP offers more liberal eligibility criteria; with very extensive support processes & continuous offering; with very generous and diverse benefits; and one which is very well managed and adequately funded.
2.51 - 3.25	Commendable	The MI-ERP offers moderately liberal eligibility criteria; with extensive support process & continuous offering; quite generous & diverse benefits; one which is well managed and adequately funded.
1.76 - 2.50	Industry Norm	The MI-ERP has limited eligibility criteria; with moderate support process & continuous offering; limited benefits; and where the retirement fund and plan is quite well managed and adequately funded
1.00-1.75	Unpopular/Poorly Managed	The MI-ERP has very limited eligibility criteria; with limited support process and period offering; offering basic benefits within the minimum requirements of the law; and one which is poorly managed and inadequately funded.

RECOMMENDATIONS

Moreover, the following are recommended based on the conclusions and findings of this study:

1. A set of guidelines should be put in place for the implementation of the best practices of the MI-ERP. The development and preparation of these guidelines shall be under the direct responsibility of the Human Resource Department.
2. A succession plan should be put in place to identify high performing employees. Once high performing employees are identified, promotion opportunities and career development opportunities can be properly planned and be put in place for the benefit of the high performers before they contemplate an early retirement. Moreover, career counseling as an intervention can be properly and effectively implemented.
3. Companies must invest in research and development for the assessment of the effectiveness of the MI-ERP in terms of employee participation education, and financial performance improvement. This may be done before the MI-ERP is implemented and after the implementation of the MI-ERP for evaluation purposes. Responsibility can be delegated to an independent consultant, the Human Resources Department, or the Marketing Department, as the case may be.
4. Organizational process interventions such as career counseling and exit interview strategies should be improved to assess attitudes of employees. An exit interview should be utilized in conducting research on the assessment of eligible employees in terms of improving the implementation of the MI-ERP. Strategies for career counseling programs should also be put in place for both low performers and high performers.
5. Through proper planning with the Chief Financial Officer, there should be a budget allocation for: (a) send off-gatherings and outplacement seminars for retiring employees; (b) extended ancillary benefits (such as healthcare, insurance) in proper consultation with

insurance companies, non-life insurance companies and healthcare providers where both employer and employees may collaborate in the contribution of the premiums within a limited period of time; (c) a provident plan where employees give a proportionate contribution (determination of which can be done by an actuary) to the existing retirement plan resulting to higher returns in favor of the eligible employees who wish to retire; and (d) “bridge employment” provisions in favor of well-deserved retiring employees.

SCOPE OF FUTURE RESEARCH

A study should be conducted in using the proposed benchmarked framework (Figure 3) to determine the correlation of the benchmarked framework to the successful rate of implementing the MI-ERP to the targeted employees.

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APPENDIX

Proposed Self-Assessed Interview Sheet

There are many best practices in implementing early retirement programs (ERP) as initiated by companies. For each best practice listed in the left column, please check the appropriate response in the right column indicating how extensive you company implements such best practice. Use the following scale:

4 = Always Implemented - means that the company implements the identified best practice at all times because guidelines are already in place.

3 = Implemented – means that the company implements the identified best practice effectively for the most part, but not to the fullest extent due to lack of set guidelines or other reasons.

2 = Rarely Implemented -- means that the company implements the identified best practice incidentally or on occasional circumstances.

1 = Not Implemented at all – means that there is no mechanism existing in the company which indicates that the best practice is implemented; or it means that you are not aware whether or not there is an existing mechanism where the best practice is being implemented.

ELIGIBILITY CRITERIA. Please describe how your company puts into practice the following for eligibility criteria for employees.

	4	3	2	1
1.ERP is offered to all our employees, whether temporary or permanent				
2.Eligibility requirements for employee coverage is initially planned with the HR department and employee representatives.				
3. A consultant is hired to determine eligibility requirements for employee coverage.				
4.ERPs are targeted towards employees affected by the streamlining of a specific department or functional area of the company.				
5. The ERP is offered based on a percentage of the salary				
6. The ERP is offered based on the number of years of service of the employee with the company.				
7. Incentives in the ERP are increased by adding years of service in calculating the retirement package				
8. Eligibility requirements for the ERP are determined through a cost benefit analysis				
9. The ERP is a voluntary program where all eligible employees are invited to apply.				
10. Specific departments are identified to avail of the ERP.				
11. Age credit and service credit are requirements for eligibility in calculating retirement benefits.				
12. There is a quota on the number of employees who must apply for the early retirement package before the ERP will be implemented.				

Instructions:

- 1) Total all your scores using the assessed scales;
- 2) Divide the result by 12.
- 3) Compare to the following interpretation scale:

3.26-4.00=Best Practice. The MI-ERP offers more liberal eligibility criteria;

2.51-3.25= Commendable. The MI-ERP offers moderately liberal eligibility criteria;

1.76-2.50=Industry Norm. The MI-ERP has limited eligibility criteria;

1.00-1.75=Unpopular/Poorly Managed. The MI-ERP has very limited eligibility criteria.

2.2 EARLY RETIREMENT DATE & PROCESS. Describe your company's practice whenever an employee qualifies for early retirement.

	4	3	2	1
1.Succession planning is conducted to determine business needs once the employee accepts the early retirement.				
2.Eligibility requirements and explanation of the ERP are properly announced.				
3.There is a time limit for the qualified individuals to decide whether they will accept the ERP.				
4.A research study is conducted to determine whether the early retirement program offered will				

have an impact on employee morale.				
5. A research study is conducted to determine whether the early retirement program offered will have an impact on the working behavior of employees				
6. Proper communication and due notice to qualified employees is conducted before the ERP is implemented.				
7. Downsizing activities initiated by the Human Resources Department are properly planned.				
8. An advanced warning / counseling and outplacement services (seminars) to applicants who will avail of the ERP is provided				
9. Eligible employees are given sufficient length of time to properly consider the offer.				
10. A performance feedback relevant and specific to employees' jobs is provided to employees.				
11. Promotion opportunities are given as an incentive for eligible employees who are not targeted by the company for the ERP to stay.				
12. Career development opportunities are given as an incentive for eligible employees who are not targeted by the company for the ERP to stay.				
13. Counseling interviews are initially conducted for eligible employees.				
14. Employees are trained for jobs that they will undertake during and after the downsizing.				
15. A periodic evaluation of the ERP is done.				
16. Policies on retirement benefits and privileges are put into writing.				
17. A committee is appointed to study the feasibility of providing early retirement benefits to employees.				
18. A salary schedule specifying the basis of compensation calculation is provided to eligible employees.				
19. Negative perceptions of employees on early retirement are corrected through organizational process interventions.				
20. Education programs that provide information about retirement are given early in the employment life of employees.				
21. Company provides promotion systems and comprehensive reward structure to qualified employees.				
22. To prevent poaching, high performers are offered a better compensation program to stay with the company.				
23. The processing of the ERP is less than two (2) months.				
24. ERP is offered continuously, all year round.				
25. Eligible employees receive his early retirement benefits a month after effectivity of retirement.				

Instructions:

- 1) Total all your scores using the assessed scales;
 - 2) Divide the result by 25;
 - 3) Compare to the following interpretation scale:
- 3.26-4.00**=Best Practice. MI-ERP has very extensive support processes & continuous offering;
2.51-3.25= Commendable. MI-ERP has extensive support process & continuous offering;
1.76-2.50=Industry Norm. The MI-ERP has moderate support process & continuous offering;
1.00-1.75=Unpopular/Poorly Managed. The MI-ERP has limited support process and period offering.

PROGRAM OFFERINGS. In terms of program offerings, please check the applicability of the following best practices to your company:

	4	3	2	1
1. Ancillary benefits on the retirement plan (i.e. hospitalization benefits, disability benefits, insurance benefits, car plan) are introduced as an inducement of the ERP package.				
2. Lump sum payments or termination incentive bonus over and above the minimum requirements prescribed by the law is given.				
3. Outplacement services and seminars are offered to eligible employees over and above the retirement benefits to be received.				
4. Program offerings are determined through proper planning with the Human Resources Department with proper consultation with the Finance Department				
5. Explanation of the ERP benefits to employees are made through public				

announcements.				
6. Details of the ERP are communicated extensively to all employees.				
7. Send-off gathering is held to recognize the contribution of the retiring employees to the company.				

Instructions:

- 1) Total all your scores using the assessed scales.
- 2) Divide the result by 7.
- 3) Compare to the following interpretation scale:

3.26-4.00=Best Practice. The MI-ERP offers very generous and diverse benefits;

2.51-3.25= Commendable. The MI-ERP offers quite generous & diverse benefits;

1.76-2.50=Industry Norm. The MI-ERP offers limited benefits;

1.00-1.75=Unpopular/Poorly Managed. The MI-ERP offers basic benefits within the minimum requirements of the law.

ADMINISTRATION OF THE RETIREMENT PLAN.

Describe your company's practice for the following areas:

	4	3	2	1
1.A retirement committee is appointed in managing the retirement plan for eligible employees.				
2.Employees are allowed to participate in decision making process with respect to the management of the retirement plan.				
3.A dedicated staff is deployed to implement the processes such as announcement and promotions, documentation, pre-evaluation assessment, and discussion of benefits of employees.				
4. The retirement of a batch of eligible employees is approved by the highest officer of the company (I.e. President and/or General Manager).				
5. The retirement fund of employees is managed correctly.				
6. The retirement fund of employees is spent only for retirement purposes.				
7. The employee associations and the Human Resource Department cooperatively put programs in place to educate employees about retirement options.				
8. An exit interview is conducted to employees who availed the ERP.				
9. The ERP's effectiveness is evaluated regularly in terms of improvement of financial performance.				
10. The ERP's effectiveness is evaluated regularly in terms of employee productivity.				

Instructions:

- 1) Total all your scores using the assessed scales.
- 2) Divide the result by 10.
- 3) Compare to the following interpretation scale:

3.26-4.00=Best Practice. The MI-ERP is very well managed and adequately funded;

2.51-3.25= Commendable. The MI-ERP is well managed and adequately funded;

1.76-2.50= Industry Norm. The MI-ERP is quite well managed and adequately funded;

1.00-1.75=Unpopular/Poorly Managed. The MI-ERP is poorly managed and inadequately funded.