

## Article

# Non-Adherence with Article 302 (287) of Labor Code of the Philippines: Developing Compliant and Acceptable Retirement Program

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**Abstract:** Employers consider employees to be the lifeblood of their companies. Despite such encouraging sentiment, not all of them treat their employees rightfully and lawfully. One noteworthy situation is about retirement policies and practices in private company, which do not adhere to but have a problematic interpretation of the law, specifically Article 302 (287) of the Labor Code of the Philippines. This highlights a necessity for research to examine the retirement program or plan and the implications of non-adherence to the article. Therefore, this study aims to elucidate Article 302 (287) of the Labor Code of the Philippines to determine the implications for private company of non-adherence to Article 302 (287). The results provide a basis for developing a compliant and acceptable retirement program. In the study, a questionnaire survey was conducted with validated open-ended questions. Interviews and document analysis were also conducted. Supreme Court decisions were analyzed as primary data, and online articles and newspaper columns were collected as secondary data. Retirement is a bilateral process. The private companies are non-adherent to Article 302 (287) and, therefore, face legal implications. Consequently, employers need to update the retirement plans of their employees to ensure compliance with current laws and encourage them to develop the plans, which fosters trust and enhances labor relations, and prevents potential legal issues.

**Keywords:** Illegal dismissal, Labor relations, Quit claims, Retirement, Security of tenure

## 1. Introduction

To retire an employee in a private company before reaching retirement age is axiomatic illegal dismissal. This can be executed by different stakeholders, depending on context, experience, power dynamics in the work, and the relationship between employers and employees. The legality and constitutionality of retirement in the Philippines are addressed by the country's laws, primarily Republic Act 7641, or the New Retirement Law (1992). This act amended Article 287 (renumbered 302; DA No. 1, 2015) of the Labor Code of the Philippines (DOLE, 2015). As social legislation, its purpose is to “reward employees for their long and dedicated service to their employer, as well as to humanely provide for the retiree’s sustenance and, hopefully, even comfort, when he or she no longer has the stamina to continue earning his or her livelihood,” as outlined in the case of *Paz vs. Northern Tobacco Redrying Co.* (G.R. No. 199554, Supreme Court of the Philippines, 2015). Article 302 states that “Any employee may be retired upon reaching the retirement age established in the collective bargaining agreement or other applicable employment contract.” Furthermore, it stipulates that “In the absence of a retirement plan or agreement providing for retirement benefits of employees in the establishment, an employee upon reaching the age of sixty (60) years or more but not beyond sixty-five (65) years which is hereby declared the compulsory retirement age, who has served at least five (5) years in the said establishment, may retire and shall be entitled to retirement pay equivalent to at least one-half (1/2) month salary for every year of service, a fraction of at least six (6) months being considered as one whole year.”

While private companies may establish their retirement plans, such plans may be inherently in conflict with Article 302. However, as asserted in *Jaculbe vs. Silliman University* (G.R. No. 156934, Supreme Court of the Philippines, 2007), an employer can impose a retirement age lower than 65 only with the employee’s consent. Conversely, employees are free to accept an employer's offer to lower the retirement age if they believe the presented retirement plan offers a better deal. Simply put, retirement is a bilateral process, as articulated in the ‘*Soberano vs. Clave*’ case (G.R. Nos. L-43753-56 & L-50991, Supreme Court of the Philippines, 1980). It represents a voluntary agreement between the employer and the employee, where the latter, upon reaching a certain age, agrees or consents to terminate their employment.

Despite many lawsuits addressing various aspects of retirement, private companies still impose their established retirement plans as mandatory, or portray them as such, without the explicit consent of retiring employees. One private company, reviewed in this study, is a university located in Manila. This higher education institution was founded based on social justice by a former president of the Philippines. For employees to obtain guidance in their employment and receive acceptable benefits without being forced to retire, the validity and legality of age of retirement must be ensured in the retirement plan. Clarity and explanation must be examined by the Philippine laws, court decisions, legal experts, and a Department of Labor and Employment (DOLE) officer.

The average retirement age differs worldwide. It often occurs between the ages of 55 and 60. In 2020, the normal retirement age in the Organization for Economic Cooperation and Development (OECD) for men and women was 64.2 and 63.4, respectively. It was significantly lower in Asian countries, being 59.5 years old for men and 57.7 years old for women. The retirement age ranges from a low of 50 for women in Sri Lanka and 55 for men in Malaysia, Thailand, and Sri Lanka. The Philippines, Hong Kong (China), and Singapore have 65 years old as the retirement age for both men and women. (OECD, 2022). The United Nations (UN) adopts the concept of a mandatory age of retirement to set the age at which employees must leave the organization. In 2018, the UN extended its staff retirement age from 60–62 to 65. The raised retirement age aims to enable older employees to continue making contributions to the organization and save their funds (Lieberman, 2018).

In the Philippines, Presidential Decree No. 442 or the Labor Code of the Philippines, as amended in 1974, protects the rights and welfare of laborers, guarantees equitable or fair wages and working conditions, and provides benefits and compensation in the event of work-related injury or death (Labor Law PH, 2022). Through R.A. 7641 (and RA 8558), Art. 302 (287) was amended to constitute the provision for retirement pay to qualified private company employees who do not have any retirement plan. There are two types of retirements under this article: (1) optional or early retirement, and (2) compulsory or mandatory retirement. The compulsory age of retirement is 65, while the optional retirement age is 60. Five years of service are rendered before the retirement.. Two conditions of retirement are stated in this article, with retirement plan and without a retirement plan. Private company without an established retirement plan must adhere to the provisions under Art. 302 (287). Those with retirement plans can determine the age of retirement lower than 60, and the retirement benefits must not be lower than the benefits following the Labor Code's Art. 302 (287). In the *Beltran vs. AMA Computer College-Biñan* case (2019), the Court ruled that while the employer is free to grant retirement benefits and impose different age or service requirements, the benefits must not be less than those provided in Art. 302 (287) of the Labor Code. Additionally, since retirement is a bilateral process, the employer and the employee must enter into such an agreement (Jimenez, 2022).

Retirement is an inevitable life stage, and the prospect of a happy retirement hinges significantly on the policies implemented by private companies. Therefore, a thorough review of company policies, in light of existing jurisprudence and national laws, is crucial to developing sound and acceptable retirement programs that include appropriate benefits. As articulated by the Supreme Court in the case of *'Carissa E. Santo vs. University of Cebu'* (2019a), retirement benefits are "intended to help the employee enjoy the remaining years of his life by lessening the burden of worrying about his financial support, and are a form of reward for his loyalty and service to the employer." The New Retirement Law (Republic Act 7641), which amended Article 287 (Article 302) of the Philippine Labor Code, mandates specific provisions for retiring employees. These include a retirement pay equivalent to at least 1/2 of one month's salary for each year of service, where a fraction of at least 6 months is counted as one full year. The "one-half (1/2) month salary" is defined to include 15 days' pay, 1/12 of the 13th-month pay, and the monetary equivalent of up to five days' incentive leave, unless otherwise agreed upon.

The issues arise from different interpretations by private companies or a lack of implementation consistent with policies, laws, and jurisprudence. Therefore, it is important to examine the implications of such non-adherence by private companies. Therefore, this study was carried out to guide and empower private company employees and protect them from fraud and intimidation during the retirement process. This study also aims to determine the impact of non-adherence to retirement provisions on employees' security of tenure and economic security. By identifying gaps in current retirement programs and their implications for employees' welfare, private company retirement plans were re-evaluated and revised to ensure compliant and acceptable programs for retirees. In this study, the non-compliance of a private company policy with Article 302 (formerly 287) of the Labor Code of the Philippines was also reviewed. Specifically, Article 302 (287) of the Labor Code of the Philippines was explored according to legal experts and a DOLE officer to determine the implications and non-adherence of private companies to Article 302 (287) of the Labor Code. The results of this study serve as a basis for developing improved or acceptable retirement programs or plans for private company employees.

## 2. Materials and Methods

This study was conducted based on the theories of legal realism and the social protection framework to understand the implications of non-compliance with Article 302 (formerly 287) of the Labor Code of the Philippines (DOLE, 2024a). These theories

emphasize the role of social and economic contexts, beyond legal logic, in interpreting laws. They also underscore the country's responsibility to protect its citizens through public policies. Using the legal realism and the social protection framework, the challenges and socio-economic factors of private company employees in the Philippines were investigated in this study to provide a foundation for an acceptable retirement program that addresses the needs and concerns of employees.

Legal realism posits that law originates from prevailing social interests and public policy rather than from formalistic legal considerations. This theory advocates for a naturalistic approach to jurisprudence, suggesting that legal analysis adopt empirical methods, emphasizing evidence and testing of hypotheses over abstract theoretical assumptions about the law. Legal realism recognizes that judges consider abstract legal rules, social interests, and public policy when making judicial decisions (Legal Information Institute, n.d.). Using legal realism, the perspectives and opinions of judges (through their case decisions), legal experts, and DOLE officers were translated, regarding Article 302 (287) of the Labor Code. By applying its concepts, how their professional judgments and the socio-economic context influence the interpretation and application of the law can be explored. The practical challenges and socio-economic factors contributing to a private company's non-adherence to Article 302 (287) of the Labor Code were explored, too.

The social protection framework is defined by the Asian Development Bank (ADB) as "the set of policies and programs designed to reduce poverty and vulnerability by promoting efficient labor markets, diminishing people's exposure to risks, and enhancing their capacity to protect themselves against hazards and interruption/loss of income" (ADB, 2003). Similarly, the International Labor Organization (ILO), European Union (EU), Organization for Economic Cooperation and Development (OECD), and World Bank (WB) define it as "the set of public measures that a society provides for its members to protect them against economic and social distress that would be caused by the absence or a substantial reduction of income from work as a result of various contingencies like sickness, maternity, employment injury, unemployment, invalidity, old age, and death of the breadwinner; the provision of health care, and the provision of benefits for families with children" (Yi, 2010). The concepts of social protection include state intervention, social welfare, and the purpose of reducing social and economic inequalities. Therefore, Republic Act 7641, as a public measure crafted by the state, was enacted to enhance the welfare of its citizens, including private company employees, by reducing social and economic inequalities, particularly each company's management policy on retirement. This framework was utilized in this study to propose an acceptable retirement program to enhance social protection for private company employees, addressing identified gaps and providing a robust safety net.

This study was conducted using a qualitative descriptive research design in which open-ended questions and interviews were performed. A questionnaire survey was conducted with four legal experts, one DOLE officer, and five faculty members nearing retirement. To ensure ethical considerations, the participants submitted a consent letter for the study's purpose, procedures, and their rights. The participants represented a diverse population. The invited legal experts were licensed lawyers with at least five years of practice, including legal exposures and law office experience. The DOLE officer held an administrative post in DOLE Manila, working at the Bureau of Working Conditions, Policy and Program Development Division (BWC-PPDD). The faculty members had served the private company management for 14 years. A convenience sampling method was used for legal experts (based on accessibility and willingness), a purposive sampling method for the DOLE officer (based on specific expertise) and faculty members (based on specific criteria).

In the literature review, case laws, online articles, and newspaper columns were analyzed to gather data. The case decisions and jurisprudence of the Supreme Court of the Philippines related to retirement were elaborated. All data collected were analyzed using the text analysis method to synthesize the participants' views. All transcripts were coded and analyzed to identify recurring patterns and significant insights.

In the case study, a university in Manila was selected as it has a policy and practice of retiring employees after 20 years of service and at the age of 60. This policy is stipulated in Article VI, "Retirement Eligibility," of the Amended University Retirement Plan (2022). Significantly, this amended retirement plan was not consulted with the employees, nor with the labor union. The Human Resource Department only provided a copy in the first quarter of 2024. The labor union submitted a formal communication expressing their collective protest to deliver their opinions, preferences, and perspectives. The negotiation based on the Collective Bargaining Agreement (CBA) was held in October 2024.

### 3. Results

The university's non-adherence to Article 302 (287) of the Labor Code of the Philippines was investigated, and an acceptable retirement program was proposed, based on legal realism and the social protection framework in this study. The majority of responses from the participants illustrated the intricate interplay between legal frameworks and their practical implementation, emphasizing the role of consensual arrangements between employers and employees. These findings align with the jurisprudential tenets of legal realism, which posits that law is not a static set of rules but an evolving construct, shaped by social contexts and

adapting to the complexities of human interaction. Conversely, challenges and gaps are found in social protection. These instances occurred where policies do not align with legal protections or fail to adequately consider employee welfare, underscoring the urgent need for robust social protection measures to safeguard employees' rights and well-being effectively. These observations were featured by the faculty members who participated in this study.

### 3.1. Legal Experts

The responses from the legal experts were categorized, following legal realism and the social protection framework, as follows.

#### 3.1.1. Article 302 (287)

Legal realism posits that laws are not merely static rules but are dynamically influenced by economic, political, and social contexts, which in turn shape judicial decisions. The responses from the four legal experts in this study provided a comprehensive understanding of Article 302 (287) of the Labor Code of the Philippines, particularly its retirement provisions, through the lens of legal realism.

Legal expert 1 stated, “Jurisprudence is replete with cases discussing the employer’s prerogative to lower the compulsory retirement age subject to the consent of its employees... This prerogative must be exercised pursuant to a mutually instituted early retirement plan.” Each legal expert emphasized the dual nature of retirement under this article: optional retirement at age 60 and compulsory retirement at age 65. The Supreme Court in the case of ‘Catotocan vs. Lourdes School Quezon City’ (2017) upheld these provisions, allowing flexibility in retirement age through Collective Bargaining Agreements (CBAs) or mutually agreed retirement plans, provided they meet minimum legal standards.

Legal expert 2 elaborated: “An employer would usually just follow customary retirement age or that imposed by law. However, considering that retirement is totally within the agreement of the parties, who are not prevented from deciding on an earlier retirement age, the following circumstances can be helpful: productivity of the employee, industry standards, and preferences of those who may opt to retire early.” This interpretation supported an employer's ability to implement a lower retirement age, as long as it is mutually agreed upon and benefits are not diminished (‘Pantranco North Express, Inc. vs. National Labor Relations Commission (NLRC)’, Supreme Court of the Philippines, 1996). The purpose of retirement benefits is to acknowledge an employee's service and provide financial support post-retirement. In the absence of a specific retirement plan or CBA, the default provisions of the Labor Code apply.

The legal experts interpreted Article 302 (287) regarding eligibility criteria and conditions for retirement benefits. Employees in the private sector, including part-time workers, domestic workers, and employees of service contractors, are generally eligible for retirement benefits if they have worked less than five years. Optional retirement is available at age 60, while mandatory retirement is at age 65. Exclusions apply to employees covered by the Civil Service Law and those in small retail, service, or agricultural establishments with fewer than 10 employees. Retirement age and conditions can be adjusted according to company policies or CBAs, emphasizing flexibility based on mutual agreements between employers and employees. The Supreme Court has consistently upheld such agreements as valid, provided they comply with minimum legal standards, thereby reinforcing the importance of mutual consent in establishing retirement terms.

The desire for security of tenure is paramount for employees, particularly regular employees in private companies, who want to avoid involuntary retirement below the statutory age. The legal experts affirmed that the concept of security of tenure, enshrined in Article 294 (formerly 279) of the Labor Code, ensured that employees cannot be dismissed without just or authorized cause. This protection aligns with constitutional and substantive labor rights, mandating that dismissals must be substantiated by valid reasons and adhere to due process. Supreme Court cases cited by the experts included ‘Telus International Philippines vs. De Guzman’ (2019c), ‘SME Bank, Inc. vs. De Guzman, et al.’ (2013), and ‘Nippon Express Philippines Corporation vs. Daguiso’ (2020). The experts also highlighted the causes for termination (e.g., serious misconduct, gross negligence) and authorized causes (e.g., redundancy, business closure) outlined in the Labor Code. They emphasized the procedural requirements employers must follow, including written notices and opportunities for employees to be heard. Violations of these requirements lead to claims of illegal dismissal, with potential remedies such as reinstatement, back wages, and damages. These insights underscore the legal framework designed to protect employees from unjust termination while allowing for lawful dismissals under specified conditions, ensuring that terminating an employee without just and authorized cause is not permissible.

The consensus among the legal experts presented that forcing an employee to retire without mutual agreement, particularly if they do not accept an early retirement age (e.g., 50) proposed by a private company, constituted illegal dismissal. The necessity of mutual agreement, often formalized through a Collective Bargaining Agreement (CBA), is paramount.

One legal expert noted that for retirement pay to be exempt from income and withholding taxes, the retirement plan must meet specific criteria and be approved by the Bureau of Internal Revenue (BIR). These criteria include the employee being at least 50



years old, having served for a minimum of 10 years, and not having previously availed of the privilege under a different employer. If no BIR-approved retirement plan exists, employees must be at least 60 years old but not over 65 and have served at least five years to qualify for tax exemption.

Regarding quitclaims, which the university in this study employs for retirees, the experts offered clarification. A quitclaim, in the employment context, is a legitimate waiver or settlement of a laborer's claims, typically used to avoid litigation. It is a voluntary and binding agreement where the employee waives certain rights in exchange for compensation. The legal experts unanimously agreed that a quitclaim is not necessary for claiming retirement benefits, as these benefits are substantive rights granted by law. However, a quitclaim may still be executed for record-keeping purposes, provided it is done voluntarily, without fraud, and its terms are reasonable and lawful.

When asked about recent developments or changes in Philippine retirement laws or regulations, the legal experts provided mixed views. Legal expert 1 referenced labor jurisprudence, specifically citing ‘Catotocan vs. Lourdes School of Quezon City. Legal expert 2 offered no response. Legal expert 3 stated no recent changes in retirement laws to his knowledge. In contrast, Legal expert 4 mentioned a recent BIR regulation, Revenue Memorandum Circular (RMC) No. 13-2024, which clarifies the taxability of retirement benefits. This indicates that while significant legislative changes may be infrequent, regulatory updates, particularly concerning tax implications, are noteworthy for both employers and employees.

### 3.1.2. Non-Adherence to Article 302 (287)

The legal experts agreed that the non-adherence of private company managements to Article 302 (formerly 287) is deemed unlawful and subject to penalties under Article 303 (formerly 288), which may include fines and imprisonment (DOLE, 2024b). Employees whose rights are violated in this regard can seek recourse by filing claims with the Labor Arbiter. Legal actions against employers for non-payment of retirement benefits lead to additional liabilities, such as interest, moral damages, exemplary damages, and attorney's fees. A consistent theme across the expert responses is the legal obligation of employers to comply with retirement benefit provisions and the available legal recourse for employees to claim their rights.

The legal experts unanimously asserted that retirement plans must result from a bilateral act representing a voluntary agreement between the employer and the employee. As Legal Expert 3 added, such plans cannot be unilaterally imposed by the employer. The legal expert agreed that these plans are contractual and require mutual consent from both parties regarding the implementation of private company retirement plans, particularly concerning Republic Act No. 7641 (The Retirement Pay Law). Any retirement plan or its modification must comply with the minimum standards set by law and necessitate consultation with employees to ensure its validity and enforceability. The case of ‘Alberto P. Oxales vs. United Laboratories, Inc.’ (Supreme Court of the Philippines, 2008) underscores that retirement plans must be established through mutual agreement, not solely dictated by the employer under the guise of management prerogative.

The age of retirement set by a private company does not fall under management prerogative. According to one legal expert, management prerogative is limited to regulating aspects of employment that solely pertain to the operation of the business. It does not extend to granting or overseeing statutory benefits like retirement, which are contractual and grant employees the right to participate in their formulation. Another legal expert interpreted this to mean that “no consultation or the employees were not part in crafting an agreement means there is no agreement at all, therefore questionable and not part of management prerogative.” This emphasizes that any decision regarding retirement age must involve employee input and consent to be legally sound.

### 3.1.3. Compliance and Acceptable Retirement Program

Legal experts provided diverse perspectives on developing acceptable retirement programs that ensure compliance with regulations and foster effective labor relations. Legal Expert 1 noted that retirement programs may vary significantly depending on the industry. Legal Expert 2 emphasized the critical importance of voluntary and explicit employee consent for optional retirement ages; passive acquiescence is insufficient. This expert affirmed that retirement plans setting the age at 60 years or after 20 years of service, whichever comes first, are valid if mutually agreed upon by both employer and employee (Cainta Catholic School vs. CCSEU, Supreme Court of the Philippines, 2006). Similarly, retirement plans for employees under 50 are also valid if based on mutual agreement. Legal Expert 3 proposed expanding retirement benefits beyond cash, including non-cash benefits like medical benefits or Health Maintenance Organization (HMO) coverage, particularly for senior employees aged 60–65. In contrast, Legal Expert 4 supported early retirement for employees with 20 years of service and under the age of 50, highlighting the advantage of enjoying retirement rewards at a younger age.

### 3.2. DOLE Officer

#### 3.2.1. Article 302 (287)

The DOLE officer detailed the provisions of Article 302 (287), specifically its applicability and conditions. This provision mandates retirement benefits for private company employees aged 60 to 65, provided they have served at least five years in the establishment. The law applies to all employees at private companies, irrespective of position or payment method. However, it excludes employees in small retail, service, and agricultural establishments with fewer than ten employees, as well as government employees. The law's provisions activate only in the absence of an existing CBA or employment contract that provides for retirement benefits, or if such agreements offer benefits below the statutory minimum. The case of 'Grace Christian High School vs. Lavandera' (2014) was cited as a relevant Supreme Court decision. The officer clarified that retirement pay is equivalent to at least one-half month's salary for every year of service, with fractions of at least six months considered a full year. Special conditions also allow for early retirement for certain employees, such as those in underground mining, between the ages of 50 and 60, due to the hazardous nature of their work.

The DOLE officer provided detailed information on the legal definition and importance of security of tenure in labor relations. Mandated by the 1987 Philippine Constitution, security of tenure protects employees against unjust termination, ensuring they cannot be dismissed without due process. Article 294 (279) of the Labor Code elaborates on this protection, stipulating that the employment contract can only be terminated for just cause or when authorized by law. Unjustly dismissed employees are entitled to reinstatement and back wages. The officer also outlined management's legal obligations regarding this right and the recourse available to employees whose rights are violated, which includes filing a complaint for illegal dismissal with NLRC. Regarding the implications of employees not accepting a retirement age set by a private company, the officer emphasized that while employers have the prerogative to offer early retirement, this must be mutually agreed upon early retirement plan. Only the implementation and execution of such a plan may be unilateral, but not its adoption and institution. It requires voluntary, explicit, free, and uncompelled agreement from employees. The officer also clarified that retirement benefits are generally tax-exempt under Republic Acts No. 7641 and 4917, provided certain conditions are met (Congress of the Philippines, 1967; 1992).

On the use of quitclaims by private company managements, the officer explained that a quitclaim is a contractual agreement, similar to a compromise, where both parties make concessions to avoid litigation. For a quitclaim to be valid and binding, it must represent a credible and reasonable settlement and be executed voluntarily with a full understanding of its implications, as cited in the case 'F.F. Cruz & Co. Inc vs. Galandez' (Supreme Court of the Philippines, 2019b). Importantly, the officer clarified that while quitclaims can be used to settle various employment disputes, they are not necessary for receiving retirement pay, which is a statutory right under the law. The DOLE officer indicated that there have been no recent changes in retirement laws or regulations for private company employees, and the existing retirement law remains in effect. However, he mentioned Senate Bill 2444 (Senate of the Philippines, 2023), which proposes to lower the optional retirement age for government employees from 60 to 56 years old.

#### 3.2.2. Non-Adherence to Article 302 (287)

The DOLE officer emphasized that non-adherence or non-compliance with Article 302 (287) might result in serious legal and financial repercussions for employers. This article mandates compulsory retirement at age 65 for most employees and at age 60 for underground miners. Forcing an employee to retire before these statutory ages constitutes illegal dismissal. Employees whose rights are violated have clear recourse through filing complaints with the DOLE Regional Offices or NLRC. The officer underscored that employers must adhere to these provisions to protect employee welfare and avoid potential legal issues. The officer clarified that while employers possess the right, under management prerogative, to prescribe reasonable rules and regulations for business operations, this right is not absolute and must always comply with labor laws and regulations. Implementing an outdated retirement plan without consulting employees may directly contradict existing retirement laws and inevitably lead to legal challenges. Management prerogative, therefore, must be exercised in good faith and with fair dealings. Employers are strongly encouraged to proactively review and update their retirement plans to ensure compliance with current laws and, crucially, to involve employees in the development process. This collaborative approach fosters trust and significantly mitigates potential legal disputes.

#### 3.2.3. Compliance and Acceptable Retirement Program

The DOLE officer provided detailed information on legal alternatives and best practices for private company managements to establish acceptable and compliant retirement programs for their employees. The officer advised that the management team of a private company must explore options that align with regulatory requirements and foster positive labor relations. This includes fully utilizing mandated government plans, such as the Social Security System (SSS) and the Home Development Mutual Fund (Pag-

IBIG Fund), as well as implementing self-compliance audits for their internal retirement schemes. Regarding best practices for ensuring compliance and maintaining healthy labor relations, the officer suggested the following.

- Employee education: seminars or training sessions must be provided to educate employees about their retirement benefits, ensuring they understand their entitlements and the processes involved.
- Legal consultation: Regular consultation is necessary with legal experts to stay updated on the latest retirement laws, regulations, and relevant jurisprudence. This proactive approach helps private companies adapt their policies to evolving legal landscapes.

### 3.3. Faculty Members

The responses from the faculty members revealed varying levels of awareness and understanding regarding Article 302 (287). Two faculty members were unaware of this provision, while others possessed a basic understanding, commonly knowing that retirement benefits are provided at age 60, with compulsory retirement at 65. One faculty member observed the non-adherence of LPU (the private company management under study) to the Labor Code. The faculty member highlighted that the university's policy of compulsory retirement after 20 years of service, regardless of age, directly contradicts the legal retirement age stipulations.

The faculty members displayed a mixed familiarity with the University Retirement Program/Plan details. One faculty member admitted, "I am honestly not aware of any changes of the labor laws regarding retirement that LPU has to adhere. I guess I will visit the specifications of the labor laws and find out for the updates, since in 5 years, I will be retiring as I am done with the 20 years of service to the university."

The primary criticism of the program centers on its mandate for employees to retire after 20 years of service, irrespective of age, which many faculty members perceive as non-compliant with the legally stipulated retirement age. A faculty member expressed concern, stating, "No discussion about the 20 years in service. I think they don't want to open it even in CBA."

While several faculty members identified potential strengths, such as the opportunity to pursue new careers and a motivational aspect for maintaining high performance, the majority pointed out significant weaknesses. These included the hindrance to long-term career planning, difficulties in financial planning, and the premature end of service for still-capable faculty members. One faculty member stated, "It is bad that time spent providing service is wasted if the teacher is still capable".

The members' responses regarding the identification of the retirement age in CBAs or management manuals suggested that the 20-year retirement policy is either a management prerogative or a gentleman's agreement with past University Faculty Association (Manila) presidents and the former human resources director, rather than a mutually agreed-upon term. This raises concerns about its conflict with legal requirements. The faculty members were dissatisfied with the policy's fairness and discriminatory nature, particularly its impact on those who transitioned to academia later in their careers. Overall, there was significant dissatisfaction due to the lack of formal agreement and its potential to impede long-term career plans and loyalty. One faculty member explicitly acknowledged this retirement program/plan as discriminatory.

Discussions or negotiations regarding the university's set retirement age were limited or non-existent. While one faculty member mentioned that retirement age was part of past CBA negotiations, the rest reported no recent discussions on this matter. They also stated that the management team of universities appears reluctant to address the issue, and the topic has not been a priority in recent CBA negotiations. This lack of communication and formal discussions about the retirement policy has led to overall dissatisfaction and frustration among faculty members.

The faculty members viewed a quitclaim as a waiver or document signifying the end of any claims or disputes between the employee and the employer, typically upon resignation or settlement. The consensus among faculty is that refusing to sign a quitclaim has financial consequences. While employees retain the right to pursue legal action, they also risk having their final pay and benefits withheld. As one faculty member stated, "If employees refuse to sign a quitclaim, I think that the effect will be on the financial status. I mean, the employee's last pay and other monetary benefits that he/she will be receiving, it will be put on hold."

Regarding recent developments or changes in retirement laws or regulations, the faculty members generally indicated unawareness. One faculty member admitted a lack of awareness but strongly underlined that management should adhere to the rule of law: "No. But I think they should follow the rules. The rule of law should prevail."

The invited faculty members proposed recommendations for developing more acceptable retirement programs. A strong sentiment against forced retirement after 20 years of service was observed as the members proposed it as an option rather than a mandate.

- Management must adhere strictly to existing labor laws.
- Early retirement schemes must be introduced and negotiated for early retirement options.
- The 20-year mandatory service policy must be eliminated or revised.

- Tax exemptions must be provided for employees who retire below the age of 50.
- Early retirement policies must align with those in public schools.

#### 4. Discussion

In this study, Article 302 (formerly 287) of the Labor Code of the Philippines was explored in applications with a focus on retirement provisions. Legal perspectives, institutional practices, and individual awareness were surveyed with the participants. The results aligned with existing legal frameworks and jurisprudence. Through an extensive literature review, retirement law, security of tenure, and labor relations were discussed.

Regarding retirement age and mutual consent, the legal experts and a DOLE officer emphasized the significance of mutual agreement on retirement terms, such as CBAs or internal company policies. These views are consistent with jurisprudence in the case ‘Pantranco North Express, Inc. vs. NLRC’ (1996), which upheld the validity of retirement schemes exceeding statutory minimums. Similarly, the ruling in the case ‘Catotocan vs. Lourdes School’ (2012) reaffirmed the necessity of mutual consent, underscoring that retirement provisions must be contractually stipulated, provided both parties agree. This was further bolstered by the DOLE officer’s reference to the case ‘Grace Christian High School vs. Lavandera’ (2014), which reaffirmed judicial protection against unilateral retirement policy enforcement. Legal experts highlighted Article 294 (formerly 279), emphasizing security of tenure as a constitutional right. Cases such as ‘Telus International Philippines vs. De Guzman’ (Supreme Court of the Philippines, 2019c) and ‘Nippon Express vs. Daguiso’ (2020) demonstrated the judiciary’s strict oversight of dismissal cases, in line with literature underscoring procedural due process. The participants revealed that quitclaims are not a prerequisite for receiving retirement pay. This aligns with the case ‘F.F. Cruz & Co., Inc. vs. Galandez’ (2019b), which declared coerced waivers invalid. It also resonates with criticisms in the case ‘Velooso vs. DOLE’ (1994), where quitclaims were recognized as instruments that could erode workers’ rights.

The responses of the participants clarified that retirement is not merely a statutory entitlement but also a contractual right dependent on mutual consent. This challenges the misconception that employers may unilaterally impose retirement terms under management prerogative. While consistent with the case ‘Alberto P. Oxales vs. United Laboratories’ (2008), the participants emphasized employee involvement in crafting retirement policies. The faculty members pointed out a persistent gap between formal law and actual workplace implementation. For instance, a university’s 20-year service-based retirement policy, questioned for non-compliance, illustrates how institutional practices may stray from jurisprudential standards.

##### 4.1. Participant Perspective

The legal experts, comprising attorneys from the Senate, the Supreme Court, private law firms, and academia, offered opinions on Article 302 (formerly 287) and emphasized the dual nature of retirement: optional at age 60 and compulsory at age 65. Their responses indicated the need for the flexibility afforded by CBAs and mutually agreed-upon retirement plans, provided these arrangements uphold the legal minimum standards. This interpretation aligned with the case ‘Catotocan vs. Lourdes School of Quezon City (Supreme Court of the Philippines, 2017), which affirmed that alternative retirement schemes are valid so long as they are mutually agreed upon. Furthermore, this flexibility permits employers to implement earlier retirement ages, if contractually agreed, without reducing employee benefits, as shown in the case ‘Pantranco North Express, Inc. vs. NLRC’ (1996). Overall, the purpose of retirement benefits remains to recognize long service and to offer financial security post-employment.

The DOLE officer from the Manila Office affirmed that retirement benefits are mandated for all private sector employees aged 60 to 65 with at least five years of service. This provision applies in private companies, excluding small establishments and government employees, and is enforced when no CBA or employment contract offers benefits that meet or exceed the statutory minimum. Additionally, the officer noted that early retirement provisions apply under specific circumstances, such as hazardous work environments like underground mining.

The faculty members from Lyceum of the Philippines University (LPU), each with at least 14 years of service, reflected varying levels of familiarity with Article 302 (287). While several faculty members were unaware of its specific provisions, others had a basic understanding of retirement age and benefits. This limited awareness was understandable given that none of the participants had taught law-related subjects. The faculty members showed the criticism in LPU’s policy mandating compulsory retirement after 20 years of service, regardless of age. The faculty members perceived this policy as inconsistent with national law. The disconnect between institutional practices and established legal standards was revealed by the members.



#### 4.2. Non-Adherence to Article 302 (287)

The legal experts asserted that non-adherence to Article 302 (287) is unlawful and subject to penalties under Article 303 (288). They emphasized that retirement plans must be bilaterally agreed upon by the employer and the employee, complying with legal standards. Non-adherence or non-compliance results in legal actions, leading to liabilities such as interest, damages, and attorney's fees. The legal experts underlined the necessity of mutual consent in retirement agreements, citing cases such as 'Alberto P. Oxales vs. United Laboratories, Inc.' (2008).

The DOLE officer highlighted serious legal and financial repercussions for employers who do not comply with Art. 302 (287). Forcing retirement before the legal age is considered illegal dismissal. Employees may file complaints to the DOLE Regional Offices or NLRC. The officer also underscored the importance of employers adhering to these provisions to protect employee welfare and avoid legal issues. It was assumed that the faculty members did not have full awareness of its legal implications.

#### 4.3. Compliance and Acceptable Retirement Program

Diverse perspectives from legal experts, a DOLE officer, and faculty members were analyzed to provide a basis for developing compliance and acceptable retirement programs under Article 302 (287). The results emphasized the importance of mutual agreement, adherence to legal standards, and the active inclusion of employee input in retirement planning. The legal experts provided varied yet complementary suggestions for developing compliant retirement programs. They underscored the necessity of voluntary employee acceptance of retirement plans and advocated for the inclusion of non-cash benefits, such as medical coverage. The experts also affirmed the validity of early retirement plans, provided they are mutually agreed upon, citing cases, including 'Cainta Catholic School vs. CCSEU' (2006). One expert highlighted the importance of aligning retirement programs with the specific industry context, while another emphasized that any implemented retirement plan must feature the explicit, voluntary, free, and uncompelled acceptance of retirement terms by employees. The DOLE officer recommended exploring compliance, such as fully utilizing government-mandated plans (e.g., SSS and Pag-IBIG Fund) and conducting regular self-compliance audits. Best practices, according to the officer, include educating employees through seminars and training sessions on retirement benefits and consulting legal experts to stay abreast of regulatory updates. The officer stressed the importance of management fostering trust and actively involving employees in the development of retirement plans to ensure compliance and cultivate positive labor relations. The faculty members proposed the enhancement of the acceptability of retirement programs. They suggested strict adherence to the law, the removal or modification of the 20-year mandatory service policy, considering tax exemptions for early retirees, and aligning policies with those in public schools. They advocated for offering early retirement as an option rather than a mandate, with one faculty member explicitly suggesting the removal of the 20 years in service and mandatory age of retirement.

By integrating the responses of legal experts, the DOLE officer, and faculty members, alongside a review of Supreme Court decisions, online articles, and columns, the implications of non-adherence to Article 302 (287) and concrete suggestions for developing a compliant and more acceptable retirement program were proposed. The results indicated that successful retirement planning necessitates mutual agreement, strict adherence to legal standards, and active employee participation.

### 5. Conclusions

This study was carried out to elucidate Article 302 (formerly 287) by integrating legal interpretations from professionals and a DOLE officer with the experiences of faculty members. The implications of non-compliance were indicated along with the development of a responsive and equitable retirement program. Article 302 (287) mandates retirement benefits for private company employees aged 60 (optional retirement) to 65 (compulsory retirement) with at least five years of service. This applies particularly to companies without CBAs or similar retirement manuals, or those with agreements offering less than the statutory minimum. Small establishments and government employees are excluded.

Retirement is an employee's option and a bilateral process, not a unilateral employer decision. Employers can only terminate employment at the mandatory retirement age or a mutually agreed-upon age. Early retirement can be offered if an employee has at least ten years of service and is at least 50 years old. Forcing employees to retire before age 65 (or the mutually agreed-upon age) is illegal. A significant Supreme Court ruling, indicated by former Justice Lucas Bersamin (Executive Secretary), as presented in the case 'Laya, Jr. vs. Philippine Veterans Bank' (2018), affirmed that a private company employee who does not agree to an early retirement plan cannot be prematurely separated from service before age 65. Employers who prematurely retire an employee are guilty of illegal dismissal, liable for back wages, and reinstatement without loss of seniority and other benefits. If the employee reaches the Labor Code's retirement age, they are entitled to separation pay, plus legal interest on back wages and separation pay from the decision's finality. This ruling serves as a crucial protection against illegal dismissal for private company employees.

A retirement program or plan must be mutually agreed upon, comply with legal standards, and cannot be unilaterally imposed. Existing or modified plans without the consultation and consent of retiring employees constitute non-adherence to Article 302 (287). While the management team of a private company can implement and execute the retirement policy, it cannot unilaterally adopt and institute it. A signature on an employment contract does not imply agreement to a company's retirement program, especially if an early retirement plan (e.g., 20 years of service or age 60, whichever comes first) lacks explicit, voluntary, free, and uncoerced concurrence from each employee.

Non-adherence or non-compliance with RA 7641, specifically Article 302 (287), results in serious legal and financial repercussions for private companies, including fines, imprisonment, and liabilities such as interest damages, moral damages, exemplary damages, and attorney's fees. The company prerogative grants employers the right to conduct business operations reasonably. However, this right does not exempt employers from adhering to labor laws and regulations. An illegally dismissed employee is entitled to reinstatement with full back wages and other monetary benefits, computed from the period work was withheld until reinstatement.

Article 294 (279) guarantees security of tenure for regular employees, protecting their employment from termination without just and authorized cause. Every regular private company employee holds this right. Quitclaims are voluntary agreements to avoid litigation and are not necessary for claiming statutory retirement benefits. However, there have been no recent changes in private company retirement laws. However, Senate Bill (SBN 2444), passed in 2023, seeking to lower the optional retirement age for government employees from 60 to 56, is still in progress. In designing and developing compliant and acceptable retirement programs, mutual agreement is crucial. It is not a unilateral employer decision, but must be consulted with and mutually agreed upon by employees. The faculty members suggested removing or modifying the 20-year mandatory service policy of the private company management (the university) and advocating for tax exemptions for early retirement.

Despite the profound review results, the qualitative nature and limited number of respondents in this study constrained their generalization due to the exclusion of recent legislative or regulatory changes after 2024, potential bias stemming from institutional differences, and the absence of employer viewpoints. Therefore, a more inclusive analysis involving employers, labor unions, and employees across various industries is required to uncover sector-specific retirement issues. Jurisdictional studies and comparison between Philippine and ASEAN retirement systems need to be conducted to identify and assess best practices to assess the employee awareness of retirement rights and correlate this with compliance data.

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