

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila
SEVENTEENTH CONGRESS
First Regular Session

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REGISTRATION UNIT BILLS AND INDEX SERVICE

HOUSE BILL NO. **556**

INTRODUCED BY REPRESENTATIVES

ARIEL B. CASILAO

**CARLOS ISAGANI T. ZARATE, EMMI A. DE JESUS, ANTONIO L. TINIO,
ARLENE D. BROSAS, FRANCE L. CASTRO, AND SARAH JANE I. ELAGO**

EXPLANATORY NOTE

Aside from being a Constitutional right, security of tenure is one of the very few legal safeguards for Filipino workers inscribed in our laws. Despite this, local and foreign-owned companies continue to violate these laws by enforcing various forms of labor flexibilization and labor contractualization schemes.

Contractual employment schemes can be viewed as the micro-economic firm-level aspect of the continuing and worsening economic restructuring of the world economy that is part of the macro-level liberalization, deregulation and privatization policies of neoliberal globalization. Labor flexibilization pertains to innovations in work organization and employment schemes associated with the adoption of new production technologies and/or human resource management designed to extract greater profits prompted by increasing global competition and crisis.

These profit maximization schemes include labor-only-contracting, subcontracting, hiring of casuals and contractuels, hiring of apprentices so that in the Philippines labor flexibilization is used synonymously with "contractualization" or "casualization" of labor. While labor flexibilization may garner superprofits for the big capitalists, it increases the exploitation of workers, poses obstacles to their genuine unionization, and raises the rate of unemployment and underemployment.

According to the International Labor Forum, "the use of contract labor and "precarious work" is part of the global business strategy to undermine decent work and cut labor costs through labor market "flexibilization" or 'casualization'."

In the past decade, contractual employment proliferated due to the neoliberal policies of globalization. In fact, a big chunk of locally-generated employment is attributed to contractual or temporary jobs across industries particularly in special economic zones, the service sector and industries concentrated on export-oriented production mainly of semi-manufactures with little value-added.

Contractual employment is an employment strategy that aggravates domestic unemployment by destroying regular and permanent jobs while exposing contractual or temporary workers to substandard and inhumane working conditions.

In general, contractualization is aimed at pressing down workers' wages and increasing capitalists' profits.

In particular, it is aimed at the following: 1) weakening trade unionism through the reduction of the traditional base of trade unions which are permanent workers; 2) systematic and efficient co-opting of workers into subscribing to an ideology that attacks workers' organization and unionism (employment vs. union mentality); 3) depriving workers of benefits and wages that are due to regular workers and the possibility of improving their working conditions through unionism and collective bargaining and; 4) allowing capitalists to earn maximum profits and lessen the impact of economic crisis by constant adjustments in current and long-term production costs through wage reduction and elimination of workers' benefits from long-term employment.

To understand the core of contractualization as an employer strategy, it is important to realize that the entire framework of labor law, including international labor law, is based on permanent employer-employee relationships.

Contractualization is not a mere short-term tactic to reduce costs or to defeat a union organizing drive, but a long-term strategy for shedding all obligations to workers and eliminating all employee rights based on the existence of an employment relationship. It thereby removes various obstacles to the extreme exploitation of workers which they have won through decades of struggles.

Based on recent studies, contractualization is extensive in the Philippines, with 7 out of 10 firms implementing combinations of flexible work arrangements, and with estimates showing that contractuales now outnumber regulars among Filipino workers. As labor groups and advocates have described, contractualization is a dagger in the hearts of Filipino workers.

Large corporations such as Shoemart (SM), a retail company owned by Philippines' richest Filipino, Henry Sy, is notorious for employing contractual employees with shortened employment tenures of 3 to 5 months.

In 2011, the Philippine Airlines (PAL), the country's flag carrier have succeeded in outsourcing its ground operations that retrenched 6,000 regular employees in favor of contractual workers.

Majority of the country's 37.6 million employed persons are either employed in contractual, temporary, probationary, seasonal and odd jobs. Based on official government data, an estimate of 44% of workers employed in various industries are not regulars. The rate of contractual employment is also high in the construction sector (81%) and quarrying sector (59%).

With this reality, the State must determinedly protect and uphold workers' rights to decent and long-term employment by protecting their security of tenure, declaring illegal all forms of contractual employment and penalizing those who will continue to carry out this anti-worker scheme.

The 2016 elections saw the particular issue of finally ending the practice of labor contractualization noticeably included among the popular campaign promises of a number of candidates. President Rodrigo Duterte himself clearly articulated his pledge to oppose contractualization, going so far as saying in a presidential debate last April that “endo” (a shortcut for “end of contract”) will be abolished within a week of his presidency. A few weeks before the new administration officially commenced, the Secretary of Department of Labor and Employment (DOLE) Silvestre Bello III its position against contractualization and told business establishments to cease operations if they cannot stop the practice of contractualization.

Alongside the plan of the Duterte administration, workers under the Kilusang Mayo Uno (KMU) and All-Workers’ Unity have been demanding the end of these contractualization schemes, a fundamental item on the workers’ agenda presented to President Duterte since the campaign.

Anakpawis Party-list and the Makabayan Coalition have been pushing for the prohibition of contractualization and for the promotion of regular employment during the 16th Congress as House Bill No. 5140, primarily authored by former Anakpawis Representative Fernando “Ka Pando” Hicap.

With the end in view of uplifting the Filipino workers from deepening poverty and misery, prohibiting contractualization, fundamentally, shall protect the national interest and democratic ideals of Filipino society.

In view of the foregoing, the passage of this proposal is earnestly sought.



REP. ARIEL B. CASILAO
ANAKPAWIS Party-list




REP. CARLOS ISAGANI ZARATE
BAYAN MUNA Party-list



REP. EMMI A. DE JESUS
GABRIELA Women’s Party



REP. ANTONIO L. TINIO
ACT Teachers Party



REP. ARLENE D. BROSAS
GABRIELA Women’s Party



REP. FRANCE L. CASTRO
ACT Teachers Party



REP. SARAH JANE I. ELAGO
KABATAAN Party-list

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AN ACT

**PROHIBITING THE PRACTICE OF LABOR CONTRACTUALIZATION AND
PROMOTING REGULAR EMPLOYMENT**

Be it enacted by the Senate and the House of Representatives of the Republic of the Philippines in Congress assembled:

Section 1. The Article 106 of the Labor Code of the Philippines is hereby amended as follows:

Article 106. Contractor or subcontractor is a person or an entity with whom an employer or principal enters into a contract for the performance of the latter's work.

When the contractor or subcontractor contracts to perform work that is necessary and desirable for the business of the employer, the employees or workers of the contractor or subcontractor shall be considered the employees of the employer and not of the contractor or subcontractor and for all intents and purposes, the contractor, subcontractor, agency, person or intermediary shall be considered merely as agent of the employer or the principal who shall be responsible for the workers in the same manner and extent as if the latter were directly employed by the said employer or principal.

Section 2. The Article 107 of the Labor Code of the Philippines is hereby repealed.

Section 3. Article 279 of the Labor Code of the Philippines is hereby amended to read as follows:

Article 279. Security of tenure. – No employer shall terminate the services of an employee except for a just cause or when authorized by this Title. A REGULAR employee who is unjustly dismissed from work shall be entitled to IMMEDIATE reinstatement without loss of seniority rights and other privileges, to his/her full back wages inclusive of allowances, and to his/her other benefits or their monetary equivalent computed from the time his/her compensation was withheld from him up to the time of his/her actual reinstatement.