

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
First Regular Session

House Bill No. **1451**

Introduced by Rep. Magtanggol T. Gunigundo I

EXPLANATORY NOTE

Arguably, the gravest threat to our workers' right to security of tenure comes from the current trend towards contractualization and de-regularization. Workers settle for intermittent and short term employment affecting not only their ability to earn livelihood but also their productivity and quality of work.

While we recognize subcontracting as a valid business practice, there is also a need to protect workers from unscrupulous and unnecessary subcontracting. Hence, this proposal to balance legitimate business interests with the need to protect workers from insecure employment conditions.

Many of the concepts and processes contained in this bill reflects current practice as provided in the Department of Labor and Employment's Department Order No. 18 series of 2002 (DO 18). However, while some refinements have been made to DO 18 provisions, core concepts have been retained such as the definition of subcontracted work and labor only contracting, the recognition of rights of subcontracted workers and the maintenance of a registration system for legitimate subcontractors.

The salient innovations introduced by this bill in this regard include the following: 1) principals can engage a maximum of 10% of the total workforce the total number of subcontracted employees; 2) violation of contracting rules is made an unfair labor practice; and 3) violation of contracting rules is penalized by a fine.

These proposals on the matter of subcontracting are made within the framework of a need to revise the provisions on security of tenure and regular employment of Presidential Decree No. 442, otherwise known as the Labor Code. Since their adoption the current provisions have been the subject of numerous interpretations through implementing rules by the executive branch and jurisprudence by the judiciary. As such,

there is a need to revise the relevant provisions of the Labor Code so as to incorporate these interpretations and, more importantly, create a coherent and consistent framework of employment classification.

This bill draws from executive and judicial pronouncements on security of tenure in order to create a holistic and harmonious set of rules regarding classes and rights of employees. In particular, its salient points include the following:

1. The incorporation of the executive and judicial recognition that all classes of employees are entitled to security of tenure.
2. The incorporation of the workers' right to notice and hearing.
3. The clarification of what constitutes regular, casual and project employment.

Building on these concepts, this bill seeks to introduce the following innovations:

1. Employment may be fixed by the term of the project, task or work to be performed but may not be bound to a mere reference to a time.
2. The period of probationary employment is fixed at six (6) months when all employers shall have enough time to ascertain whether a worker is fit for retention or not.
3. Deliberate misclassification of employees for the purpose of misleading them as to their rights is deemed an unfair labor practice.

With these proposed amendments to the Labor Code, this bill seeks to balance the legitimate business interests of the employer with the need for protection of workers from the prejudice of non-regularization. After all, for as long as the employer profits through and by the labor of its employees, it is but fair to recognize the workers' right to remain employed absent any legal cause for his dismissal.

In view that this bill has already been extensively discussed and approved by the Committee on Labor and Employment during the 14th Congress, the immediate approval of this proposed measure is earnestly sought.


MAGTANGGOL T. GUNIGUNDO I
Representative
2nd District, Valenzuela City



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Constitution Hills, Quezon City

FIFTEENTH CONGRESS
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HOUSE BILL NO. **1451**

INTRODUCED BY REP. MAGTANGGOL T. GUNIGUNDO I

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

AN ACT

STRENGTHENING THE SECURITY OF TENURE OF WORKERS IN THE PRIVATE SECTOR, AMENDING FOR THE PURPOSE ARTICLES 248, 279, 280, 281 AND 288, AND INTRODUCING NEW ARTICLES 106, 106-A, 106-B, 106-C, 106-D, 106-E, 280-A AND 280-B TO PRESIDENTIAL DECREE NO. 442, AS AMENDED, OTHERWISE KNOWN AS THE LABOR CODE OF THE PHILIPPINES

SECTION 1. Article 106 of the Labor Code is hereby amended as follows:

"[**ART. 106. Contractor or Subcontractor.** - Whenever an employer enters into a contract with another person for the performance of the former's work, the employees of the contractor and of the latter's subcontractor, if any, shall be paid in accordance with the provisions of this Code.

"In the event that the contractor or subcontractor fails to pay the wages of his employees in accordance with this Code, the employer shall be jointly and severally liable with his contractor or subcontractor to such employees to the extent of the work performed under the contract, in the same manner and extent that he is liable to employees directly employed by him.

"The Secretary of Labor and Employment may, by appropriate regulations, restrict or prohibit the contracting out of labor to protect the rights of workers established under this Code. In so prohibiting or restricting, he may make appropriate distinctions between labor-only contracting and job contracting as well as differentiations within these types of contracting and determine who among the parties involved shall be

considered the employer for purposes of this Code, to prevent any violation or circumvention of any provision of this Code.

"There is 'labor-only' contracting where the persons supplying workers to an employer does not have substantial capital or investment in the form of tools, equipment, machineries, work premises, among others, and the workers recruited and placed by such persons are performing activities which are directly related to the principal business of such employer. In such cases, the person or intermediary shall be considered merely as an agent of the employer who shall be responsible to the workers in the same manner and extent as if the latter were directly employed by him.]

"ART. 106. CONCEPT AND NATURE OF SUBCONTRACTING ARRANGEMENTS. – IN LEGITIMATE SUBCONTRACTING, THERE EXISTS A TRILATERAL RELATIONSHIP UNDER WHICH THERE IS A CONTRACT FOR A SPECIFIC JOB, WORK OR SERVICE BETWEEN THE PRINCIPAL AND THE SUBCONTRACTOR, AND A CONTRACT OF EMPLOYMENT BETWEEN THE SUBCONTRACTOR AND ITS WORKERS. HENCE, THERE ARE THREE PARTIES INVOLVED IN THESE ARRANGEMENTS: THE PRINCIPAL WHO DECIDES TO FARM OUT A JOB OR SERVICE TO A SUBCONTRACTOR, THE SUBCONTRACTOR WHO HAS THE CAPACITY TO INDEPENDENTLY UNDERTAKE AND ACTUALLY UNDERTAKES THE PERFORMANCE OF THE JOB, WORK OR SERVICE, AND THE CONTRACTUAL WORKERS WHO ARE ENGAGED BY THE SUBCONTRACTOR TO ACCOMPLISH THE JOB WORK OR SERVICE.

"FOR PURPOSES OF THIS CODE, 'SUBCONTRACTING' REFERS TO AN ARRANGEMENT WHEREBY:

- (A) A PRINCIPAL AGREES TO PUT OUT OR FARM OUT TO A SUBCONTRACTOR THE PERFORMANCE OR COMPLETION OF A SPECIFIC JOB, WORK OR SERVICE WITHIN A DEFINITE OR PREDETERMINED PERIOD, REGARDLESS OF WHETHER SUCH JOB, WORK OR SERVICE IS TO BE PERFORMED OR COMPLETED WITHIN OR OUTSIDE THE PREMISES OF THE PRINCIPAL; OR**
- (B) A PERSON, PARTNERSHIP, ASSOCIATION OR CORPORATION WHICH, NOT BEING A PRINCIPAL, CONTRACTS WITH A SUBCONTRACTOR FOR THE PERFORMANCE OF ANY WORK, TASK, JOB OR PROJECT."**

1 **SEC. 2.** A new Article 106-A is hereby inserted in the Labor Code to read as follows:

2 **"ART. 106 – A. RIGHTS AND LIABILITIES OF PARTIES. – (A.) THE**
3 **SUBCONTRACTED EMPLOYEE. IN ALL CASES, SUBCONTRACTED**
4 **EMPLOYEES SHALL BE ENTITLED TO ALL THE RIGHTS AND PRIVILEGES**
5 **DUE REGULAR EMPLOYEES INCLUDING THE FOLLOWING:**

- 6 1. SAFE AND HEALTHFUL WORKING CONDITIONS;
- 7 2. LABOR STANDARDS SUCH AS SERVICE INCENTIVE LEAVES,
- 8 REST DAYS, OVERTIME PAY, HOLIDAY PAY, 13TH MONTH PAY AND
- 9 SEPARATION PAY;
- 10 3. RETIREMENT BENEFITS;
- 11 4. SOCIAL SECURITY AND WELFARE BENEFITS;
- 12 5. SELF-ORGANIZATION, COLLECTIVE BARGAINING AND PEACEFUL
- 13 CONCERTED ACTIVITIES; AND
- 14 6. SECURITY OF TENURE.

15 **"IN ADDITION, SUBCONTRACTED EMPLOYEES SHALL HAVE THE**
16 **RIGHT TO A WRITTEN CONTRACT WHICH SHALL INCLUDE THE FOLLOWING**
17 **TERMS AND CONDITIONS:**

- 18 1. THE SPECIFIC DESCRIPTION OF THE JOB, WORK OR SERVICE TO BE
- 19 PERFORMED BY THE CONTRACTUAL EMPLOYEE;
- 20 2. THE PLACE OF WORK AND TERMS AND CONDITIONS OF EMPLOYMENT,
- 21 INCLUDING A STATEMENT OF THE WAGE RATE APPLICABLE TO THE
- 22 INDIVIDUAL CONTRACTUAL EMPLOYEE;
- 23 3. THE TERM OR DURATION OF EMPLOYMENT, WHICH SHALL BE
- 24 CO-EXTENSIVE WITH THE CONTRACT OF THE PRINCIPAL AND
- 25 SUBCONTRACTOR, OR WITH THE SPECIFIC PHASE FOR WHICH THE
- 26 CONTRACTUAL EMPLOYEE IS ENGAGED, AS THE CASE MAY BE.

27 **"THE SUBCONTRACTED EMPLOYEE SHALL BE INFORMED BY THE**
28 **SUBCONTRACTOR OF THE FOREGOING TERMS AND CONDITIONS ON OR**
29 **BEFORE THE FIRST DAY OF HIS EMPLOYMENT.**

30 **"(B.) THE PRINCIPAL AND THE SUBCONTRACTOR. THE LEGITIMATE**
31 **SUBCONTRACTOR SHALL BE CONSIDERED THE EMPLOYER OF THE**
32 **CONTRACTUAL EMPLOYEE FOR PURPOSES OF ENFORCING THE**

1 PROVISIONS OF THE LABOR CODE AND OTHER SOCIAL LEGISLATION. IN
2 ALL CASES OF SUBCONTRACTING, HOWEVER, THE PRINCIPAL SHALL BE
3 SOLIDARILY LIABLE WITH THE CONTRACTOR IN THE EVENT OF ANY
4 VIOLATION OF ANY PROVISION OF THE LABOR CODE, INCLUDING THE
5 FAILURE TO PAY WAGES.

6 "THE PRINCIPAL SHALL BE DEEMED THE EMPLOYER OF THE
7 CONTRACTUAL EMPLOYEE IN ANY OF THE FOLLOWING CASES:

- 8 1. WHERE THERE IS LABOR-ONLY CONTRACTING; OR
- 9 2. IN THE ABSENCE OF THE WRITTEN CONTRACT REQUIRED BY ARTICLE
10 106-A; OR
- 11 3. IN CASES OF VIOLATION OF ARTICLE 106 - B.

12 "IN ADDITION, THE PRINCIPAL SHALL BE SOLIDARILY LIABLE WITH THE
13 SUBCONTRACTOR IN CASE THE CONTRACT BETWEEN THE PRINCIPAL AND
14 SUBCONTRACTOR IS PRETERMINATED FOR REASONS NOT ATTRIBUTABLE
15 TO THE FAULT OF THE SUBCONTRACTOR."

16 **SEC. 3.** A new Article 106-B is hereby inserted in the Labor Code to read as follows:

17 "ART. 106-B. PROHIBITION AGAINST LABOR-ONLY SUBCONTRACTING. -
18 ENGAGING IN LABOR-ONLY CONTRACTING OR CONTRACTING WITH A
19 LABOR-ONLY CONTRACTOR IS STRICTLY PROHIBITED. FOR THIS
20 PURPOSE, LABOR-ONLY CONTRACTING REFERS TO AN ARRANGEMENT
21 WHERE THE SUBCONTRACTOR MERELY RECRUITS, SUPPLIES OR PLACES
22 WORKERS TO PERFORM A JOB, WORK OR SERVICE FOR A PRINCIPAL,
23 INCLUDING INSTANCES WHERE ANY OF THE FOLLOWING IS PRESENT:

- 24 (A) THE SUBCONTRACTOR DOES NOT HAVE SUBSTANTIAL CAPITAL AND
25 INVESTMENT WHICH RELATE TO THE JOB, WORK OR SERVICE TO BE
26 PERFORMED;
- 27 (B) THE EMPLOYEES RECRUITED, SUPPLIED OR PLACED BY SUCH
28 SUBCONTRACTOR ARE PERFORMING ACTIVITIES WHICH ARE
29 DIRECTLY RELATED TO THE MAIN BUSINESS OF THE PRINCIPAL; OR

(C) THE PRINCIPAL HAS THE RIGHT TO CONTROL, WHETHER EXERCISED OR NOT, NOT ONLY THE END TO BE ACHIEVED, BUT ALSO THE MANNER AND MEANS TO BE USED IN REACHING THAT END.

"AS USED IN THIS CODE, 'SUBSTANTIAL CAPITAL AND INVESTMENT' IN SUBCONTRACTING ARRANGEMENTS REFERS TO TOOLS, EQUIPMENT, IMPLEMENTS, MACHINERIES AND WORK PREMISES, ACTUALLY AND DIRECTLY USED BY THE SUBCONTRACTOR IN THE PERFORMANCE OR COMPLETION OF THE JOB, WORK OR SERVICE CONTRACTED OUT. THE USE OF THE SUBCONTRACTOR OF THE EQUIPMENT, FACILITIES, MACHINERIES, AND TOOLS OF THE PRINCIPAL IS AN INDICATION THAT THE SUBCONTRACTOR HAS NO SUBSTANTIAL CAPITAL AND INVESTMENT. THE EXISTENCE OF CAPITAL STOCKS AND SUBSCRIBED CAPITALIZATION IN RELATION TO CORPORATIONS ENGAGED IN SUBCONTRACTING DOES NOT BY ITSELF CONSTITUTE SUBSTANTIAL CAPITAL AND INVESTMENT.

"AS USED IN THIS CODE, THE 'RIGHT TO CONTROL' IN SUBCONTRACTING ARRANGEMENTS SHALL REFER TO THE RIGHT RESERVED TO THE PERSON FOR WHOM THE SERVICES OF THE CONTRACTUAL WORKERS ARE PERFORMED, TO DETERMINE NOT ONLY THE END TO BE ACHIEVED, BUT ALSO THE MANNER AND MEANS TO BE USED IN REACHING THAT END."

SEC. 4. A new Article 106-C is hereby inserted in the Labor Code to read as follows:

ART. 106-C. PROHIBITIONS IN SUBCONTRACTING ARRANGEMENTS - REGARDLESS OF COMPLIANCE WITH THE IMMEDIATELY PRECEDING ARTICLE, THE FOLLOWING ACTS ARE HEREBY DECLARED PROHIBITED FOR BEING CONTRARY TO LAW OR PUBLIC POLICY:

(A) ENGAGING OR MAINTAINING BY THE PRINCIPAL OF SUBCONTRACTED EMPLOYEES IN EXCESS OF TWENTY PERCENT (20%) OF THE PRINCIPAL'S TOTAL WORKFORCE;

(B) CONTRACTING OUT OF A JOB, WORK OR SERVICE WHEN THE SAME RESULTS IN THE TERMINATION OF REGULAR EMPLOYEES AND REDUCTION OF WORK HOURS OR REDUCTION OR SPLITTING OF THE BARGAINING UNIT;

(C) CONTRACTING OUT OF WORK WITH A 'CABO'. FOR THIS PURPOSE, 'CABO' REFERS TO A PERSON OR GROUP OF PERSONS OR TO A

1 LABOR GROUP WHICH, IN THE GUISE OF A LABOR ORGANIZATION
2 OR COOPERATIVE, SUPPLIES WORKERS TO AN EMPLOYER, WITH OR
3 WITHOUT ANY MONETARY OR OTHER CONSIDERATION, WHETHER IN
4 THE CAPACITY OF AN AGENT OF THE EMPLOYER OR AS AN
5 OSTENSIBLE INDEPENDENT CONTRACTOR;

6 (D) TAKING UNDUE ADVANTAGE OF THE ECONOMIC SITUATION OR LACK
7 OF BARGAINING STRENGTH OF THE CONTRACTUAL EMPLOYEE, OR
8 UNDERMINING HIS SECURITY OF TENURE OR BASIC RIGHTS, OR
9 CIRCUMVENTING THE PROVISIONS OF REGULAR EMPLOYMENT, IN
10 ANY OF THE FOLLOWING INSTANCES:

11 1. IN ADDITION TO HIS ASSIGNED FUNCTIONS, REQUIRING THE
12 CONTRACTUAL EMPLOYEE TO PERFORM FUNCTIONS WHICH ARE
13 CURRENTLY BEING PERFORMED BY THE REGULAR EMPLOYEES
14 OF THE PRINCIPAL OR OF THE SUBCONTRACTOR;

15 2. REQUIRING HIM TO SIGN, AS A PRECONDITION TO EMPLOYMENT
16 OR CONTINUED EMPLOYMENT, AN ANTEDATED RESIGNATION
17 LETTER; A BLANK PAYROLL; A WAIVER OF LABOR STANDARDS
18 INCLUDING MINIMUM WAGES AND SOCIAL OR WELFARE
19 BENEFITS; OR A QUITCLAIM RELEASING THE PRINCIPAL,
20 SUBCONTRACTOR FROM ANY LIABILITY AS TO PAYMENT OF
21 FUTURE CLAIMS; AND

22 3. REQUIRING HIM TO SIGN A CONTRACT FIXING THE PERIOD OF
23 EMPLOYMENT TO A TERM SHORTER THAN THE TERM OF THE
24 CONTRACT BETWEEN THE PRINCIPAL AND THE
25 SUBCONTRACTOR, UNLESS THE LATTER CONTRACT IS
26 DIVISIBLE INTO PHASES FOR WHICH SUBSTANTIALLY
27 DIFFERENT SKILLS ARE REQUIRED AND THIS IS MADE KNOWN
28 TO THE EMPLOYEE AT THE TIME OF ENGAGEMENT.

29 4. CONTRACTING OUT OF A JOB, WORK OR SERVICE THROUGH
30 AN IN-HOUSE AGENCY WHICH REFERS TO A:

31 i. SUBCONTRACTOR ENGAGED IN THE SUPPLY OF LABOR
32 WHICH IS OWNED, MANAGED OR CONTROLLED BY THE
33 PRINCIPAL; OR

34 ii. SUBCONTRACTOR IN WHICH THE PRINCIPAL OWNS OR
35 OTHERWISE REPRESENTS ANY SHARE OF STOCK; OR

1 iii. SUBCONTRACTOR WHICH OPERATES SOLELY FOR THE
2 PRINCIPAL.

- 3 5. CONTRACTING OUT OF A JOB, WORK OR SERVICE DIRECTLY
4 RELATED TO THE BUSINESS OR OPERATION OF THE PRINCIPAL
5 BY REASON OF A STRIKE OR LOCKOUT WHETHER ACTUAL OR
6 IMMINENT;
7 6. CONTRACTING OUT OF A JOB, WORK OR SERVICE BEING
8 PERFORMED BY OR PREVIOUSLY PERFORMED BY REGULAR
9 EMPLOYEES AND/OR MEMBERS OF THE BARGAINING UNIT."

10 **SEC. 5.** A new Article 106-D is hereby inserted in the Labor Code to read as follows:

11 "ART. 106 – D. REGISTRATION OF SUBCONTRACTORS. – (A.) MANDATORY
12 REGISTRATION. IT SHALL BE MANDATORY FOR ALL PERSONS OR ENTITIES
13 ACTING AS SUBCONTRACTORS TO REGISTER UNDER A REGISTRATION
14 SYSTEM HEREBY ESTABLISHED TO GOVERN CONTRACTING
15 ARRANGEMENTS AND TO BE IMPLEMENTED BY THE REGIONAL OFFICES
16 OF THE DEPARTMENT OF LABOR AND EMPLOYMENT.

17 "NON-REGISTERED PERSONS OR ENTITIES ACTING AS SUBCONTRACTORS
18 SHALL BE DEEMED AS LABOR-ONLY CONTRACTORS. MERE
19 REGISTRATION, WITHOUT A SHOWING OF COMPLIANCE WITH ALL
20 REQUIREMENTS FOR LEGITIMATE SUBCONTRACTING AND AVOIDANCE OF
21 ALL PROHIBITIONS OF SUBCONTRACTING, SHALL NOT INDICATE
22 LEGITIMATE SUBCONTRACTING.

23 "(B.) REQUIREMENTS FOR REGISTRATION. A SUBCONTRACTOR MAY BE
24 LISTED IN THE REGISTRY OF SUBCONTRACTORS UPON COMPLETION AND
25 SUBMISSION OF AN APPLICATION FORM PROVIDED BY THE DEPARTMENT.
26 IN THE APPLICATION FORM, THE APPLICANT SUBCONTRACTOR SHALL
27 PROVIDE THE FOLLOWING INFORMATION:

- 28 1. THE NAME AND BUSINESS ADDRESS OF THE APPLICANT AND THE
29 AREA OR AREAS WHERE IT SEEKS TO OPERATE;
30 2. THE NAMES AND ADDRESSES OF OFFICERS, IF THE APPLICANT IS A
31 CORPORATION, PARTNERSHIP, COOPERATIVE OR UNION;

3. THE NATURE OF THE APPLICANT'S BUSINESS AND THE INDUSTRY OR INDUSTRIES WHERE THE APPLICANT SEEKS TO OPERATE;
4. THE NUMBER OF REGULAR WORKERS; THE LIST OF CLIENTS, IF ANY; THE NUMBER OF PERSONNEL ASSIGNED TO EACH CLIENT, IF ANY AND THE SERVICES PROVIDED TO THE CLIENT;
5. THE DESCRIPTION OF THE PHASES OF THE CONTRACT AND THE NUMBER OF EMPLOYEES COVERED IN EACH PHASE, WHERE APPROPRIATE; AND
6. A COPY OF AUDITED FINANCIAL STATEMENTS IF THE APPLICANT IS A CORPORATION, PARTNERSHIP, COOPERATIVE OR A UNION, OR COPY OF THE LATEST INCOME TAX RETURN IF THE APPLICANT IS A SOLE PROPRIETORSHIP.

"THE APPLICATION SHALL BE SUPPORTED BY THE FOLLOWING:

1. A CERTIFIED COPY OF A CERTIFICATE OF REGISTRATION OF FIRM OR BUSINESS NAME FROM THE SECURITIES AND EXCHANGE COMMISSION (SEC), DEPARTMENT OF TRADE AND INDUSTRY (DTI), COOPERATIVE DEVELOPMENT AUTHORITY (CDA), OR FROM THE DOLE IF THE APPLICANT IS A UNION; AND
2. A CERTIFIED COPY OF THE LICENSE OR BUSINESS PERMIT ISSUED BY THE LOCAL GOVERNMENT UNIT OR UNITS WHERE THE SUBCONTRACTOR OPERATES.

"THE APPLICATION SHALL BE VERIFIED AND SHALL INCLUDE AN UNDERTAKING THAT THE SUBCONTRACTOR SHALL ABIDE BY ALL APPLICABLE LABOR LAWS AND REGULATIONS.

"(C.) FILING AND PROCESSING OF APPLICATIONS. THE APPLICATION AND ITS SUPPORTING DOCUMENTS SHALL BE FILED IN TRIPLICATE IN THE REGIONAL OFFICES WHERE THE APPLICANT PRINCIPALLY OPERATES. NO APPLICATION FOR REGISTRATION SHALL BE ACCEPTED UNLESS ALL THE FOREGOING REQUIREMENTS ARE COMPLIED WITH. THE SUBCONTRACTOR SHALL BE DEEMED REGISTERED UPON PAYMENT OF A REGISTRATION FEE TO BE DETERMINED BY THE REGIONAL OFFICE.

1 "WHERE ALL THE SUPPORTING DOCUMENTS HAVE BEEN SUBMITTED, THE
2 REGIONAL OFFICE MAY DENY OR APPROVE THE APPLICATION WITHIN
3 SEVEN (7) WORKING DAYS AFTER ITS FILING.

4 "UPON REGISTRATION, THE REGIONAL OFFICE SHALL RETURN ONE SET
5 OF THE DULY-STAMPED APPLICATION DOCUMENTS TO THE APPLICANT,
6 RETAIN ONE SET FOR ITS FILE, AND TRANSMIT THE REMAINING SET TO
7 THE BUREAU OF LOCAL EMPLOYMENT. THE BUREAU SHALL DEVISE THE
8 NECESSARY FORMS FOR THE EXPEDITIOUS PROCESSING OF ALL
9 APPLICATIONS FOR REGISTRATION.

10 "(D.) ANNUAL REPORTING OF REGISTERED CONTRACTORS.
11 THE SUBCONTRACTOR SHALL SUBMIT IN TRIPPLICATE COPIES AN ANNUAL
12 REPORT USING A PRESCRIBED FORM TO THE APPROPRIATE REGIONAL
13 OFFICE NOT LATER THAN THE 15TH OF JANUARY OF THE FOLLOWING
14 YEAR. THE REPORT SHALL INCLUDE THE FOLLOWING DOCUMENTS:

- 15
16 1. A LIST OF CONTRACTS ENTERED WITH THE PRINCIPAL DURING THE
17 SUBJECT REPORTING PERIOD;
- 18 2. THE NUMBER OF WORKERS COVERED BY EACH CONTRACT WITH THE
19 PRINCIPAL;
- 20 3. A SWORN STATEMENT SIGNED BY THE HIGHEST EXECUTIVE
21 OFFICER AND THE CHIEF FINANCIAL OFFICER THAT THE
22 SUBCONTRACTOR HAS REMITTED ALL KINDS OF PAYMENTS AND
23 PREMIUMS TO THE SOCIAL SECURITY SYSTEM (SSS), THE HOME
24 DEVELOPMENT MUTUAL FUND (HDMF), PHILHEALTH, EMPLOYEES
25 COMPENSATION COMMISSION (ECC), AND BUREAU OF INTERNAL
26 REVENUE (BIR) FOR ALL CONTRACTUAL EMPLOYEES PERTAINING
27 TO THE REPORTING PERIOD.

28 "THE REGIONAL OFFICE SHALL RETURN ONE SET OF THE DULY-STAMPED
29 REPORT TO THE SUBCONTRACTOR, RETAIN ONE SET FOR ITS FILE, AND
30 TRANSMIT THE REMAINING SET TO THE BUREAU OF LOCAL EMPLOYMENT
31 WITHIN FIVE (5) DAYS FROM RECEIPT THEREOF.

32 "(E.) DELISTING OF CONTRACTORS OR SUBCONTRACTORS. THE REGIONAL
33 DIRECTOR SHALL CANCEL THE REGISTRATION OF SUBCONTRACTORS
34 BASED ON ANY OF THE FOLLOWING GROUNDS:

- 1 1. NON-SUBMISSION OF CONTRACTS BETWEEN THE PRINCIPAL AND THE
- 2 SUBCONTRACTOR WHEN REQUIRED TO DO SO;
- 3 2. NON-SUBMISSION OF SWORN DOCUMENTS STATED IN ARTICLE 106-D
- 4 (D);
- 5 3. ENGAGEMENT IN LABOR-ONLY CONTRACTING;
- 6 4. VIOLATION OF THE PROHIBITED ACTIVITIES PROVIDED BY THIS CODE;
- 7 5. NON-COMPLIANCE WITH LABOR STANDARDS AND WORKING
- 8 CONDITIONS.

9 “(F.) RENEWAL OF REGISTRATION OF SUBCONTRACTORS. ALL

10 REGISTERED SUBCONTRACTORS MAY APPLY FOR RENEWAL OF

11 REGISTRATION EVERY TWO YEARS. FOR THIS PURPOSE, THE TRIPARTITE

12 INDUSTRIAL PEACE COUNCIL (TIPC) AS CREATED UNDER EXECUTIVE

13 ORDER NO. 403, SHALL SERVE AS THE OVERSIGHT COMMITTEE TO VERIFY

14 AND MONITOR THE FOLLOWING:

- 15 1. ENGAGING IN ALLOWABLE CONTRACTING ACTIVITIES; AND
- 16 2. COMPLIANCE WITH ADMINISTRATIVE REPORTING REQUIREMENTS.”

17 **SEC. 6.** A new Article 106-E is hereby inserted in the Labor Code to read as follows:

18 “ART. 106-E. DUTY TO PRODUCE COPY OF CONTRACT. – THE PRINCIPAL OR

19 SUBCONTRACTOR SHALL PRODUCE A COPY OF THE CONTRACT BETWEEN

20 THE PRINCIPAL AND THE CONTRACTOR IN THE COURSE OF INSPECTION.

21 THE SUBCONTRACTOR SHALL ALSO PRODUCE A COPY OF THE CONTRACT

22 OF EMPLOYMENT OF SUBCONTRACTED WORKERS WHEN DIRECTED TO

23 DO SO BY THE REGIONAL DIRECTOR OR HIS AUTHORIZED

24 REPRESENTATIVE.

25 “A COPY OF THE CONTRACT BETWEEN THE SUBCONTRACTED EMPLOYEE

26 AND THE SUBCONTRACTOR SHALL BE FURNISHED THE CERTIFIED

27 BARGAINING AGENT, IF THERE IS ANY.”

28 **SEC. 7.** Article 248 of the Labor Code is hereby amended to read as follows:

29 “Art. 248. Unfair labor practices of employers. - It shall be unlawful for an

30 employer to commit any of the following unfair labor practice:

1 (a) To interfere with, restrain or coerce employees in the exercise of their right
2 to self-organization;

3 (b) To require as a condition of employment that a person or an employee shall not
4 join a labor organization or shall withdraw from one to which he belongs;

5 (c) To **ENGAGE A LABOR-ONLY CONTRACTOR OR TO** contract out services
6 or functions being performed by [union] **MEMBERS OF, OR POSITIONS**
7 **COVERED BY, THE BARGAINING UNIT AND/OR REGULAR RANK-AND-FILE**
8 **AND SUPERVISORY EMPLOYEES** [when Such will interfere with, restrain or
9 coerce employees in the exercise of their rights to self-organization];

10 (d) To initiate, dominate, assist or otherwise interfere with the formation or
11 administration of any labor organization, including the giving of financial or other
12 support to it or its organizers or supporters;

13 (e) To discriminate in regard to wages, hours of work and other terms and conditions
14 of employment in order to encourage or discourage membership in any labor
15 organization. Nothing in this Code or in any other law shall stop the parties from
16 requiring membership in a recognized collective bargaining agent as a condition for
17 employment, except those employees who are already members of another union at
18 the time of the signing of the collective bargaining agreement. Employees of an
19 appropriate bargaining unit who are not members of the recognized collective
20 bargaining agent may be assessed a reasonable fee equivalent to the dues and
21 other fees paid by members of the recognized collective bargaining agent, if such
22 non-union members accept the benefits under the collective bargaining agreement:
23 Provided, that the individual authorization required under Article 242, paragraph (o)
24 of this Code shall not apply to the non-members of the recognized collective
25 bargaining agent;

26 (f) To dismiss, discharge or otherwise prejudice or discriminate against an employee
27 for having given or being about to give testimony under this Code;

28 (g) To violate the duty to bargain collectively as prescribed by this Code;

29 (h) To pay negotiation or attorney's fees to the union or its officers or agents as part
30 of the settlement of any issue in collective bargaining or any other dispute; [or]

31 (i) To violate a collective bargaining agreement [.] **OR**

32 **(J) TO DENY THE EXISTENCE OF EMPLOYER-EMPLOYEE RELATIONSHIP**
33 **AND/OR TO CLASSIFY AS ASUAL, CONTRACTUAL, SUBCONTRACTED**
34 **EMPLOYEES, AGENCY EMPLOYEES, OR OTHER NON-REGULAR**
35 **CLASSIFICATION THOSE EMPLOYEES WHO ARE REGULAR EMPLOYEES BY**
36 **VIRTUE OF ARTICLE 280 OF THIS CODE.**

1 "The provisions of the preceding paragraph notwithstanding, only the officers and
2 agents of corporations, associations or partnerships who have actually participated
3 in, authorized or ratified unfair labor practices shall be held criminally liable."

4 **SEC. 8.** Article 279 of the Labor Code is hereby amended to read as follows:

5 **"ART. 279. Security of Tenure.** – [In cases of regular employment, the employer
6 shall not terminate the services of an employee] **ALL EMPLOYEES SHALL ENJOY**
7 **SECURITY OF TENURE AND SHALL NOT BE TERMINATED** except for a just
8 cause or when authorized by this Title. **ALSO, DUE PROCESS IN EMPLOYMENT**
9 **RELATIONS REQUIRES ANY EMPLOYER WHO SEEKS TO DISMISS A**
10 **WORKER TO FURNISH HIM A WRITTEN NOTICE STATING THE PARTICULAR**
11 **ACTS OR OMISSION CONSTITUTING THE GROUNDS FOR HIS DISMISSAL. IN**
12 **CASES OF ABANDONMENT OF WORK, THE WRITTEN NOTICE SHALL BE**
13 **SERVED AT THE WORKERS' LAST KNOWN ADDRESS. DUE PROCESS**
14 **ENTITLES THE WORKER AN OPPORTUNITY TO ANSWER THE ALLEGATIONS**
15 **STATED AGAINST HIM IN THE NOTICE OF DISMISSAL WITHIN A**
16 **REASONABLE PERIOD FROM RECEIPT OF SUCH NOTICE AND WITH THE**
17 **ASSISTANCE OF A REPRESENTATIVE IF HE SO DESIRES. DUE PROCESS**
18 **RQUIRES THE EMPLOYER TO AFFORD THE WORKER AMPLE OPPORTUNITY**
19 **TO BE HEARD AND TO DEFEND HIMSELF WITH THE ASSISTANCE OF HIS**
20 **REPRESENTATIVE, IF HE SO DESIRES.**

21 "An employee who is [unjustly] dismissed from work **IN VIOLATION OF ANY OF**
22 **HIS RIGHTS UNDER THIS ARTICLE** shall be entitled to **IMMEDIATE** reinstatement
23 without loss of seniority rights and other privileges and to his full back wages,
24 inclusive of allowances, and to his other benefits or their monetary equivalent
25 computed from the time his compensation was withheld from him up to the time of
26 his actual reinstatement."

27 **SEC. 9.** Article 280 of the Labor Code is hereby amended to read as follows:

28 **"ART. 280. Regular and Casual Employment.** - The provisions of written
29 agreement to the contrary notwithstanding and regardless of the oral agreement of
30 the parties, an employment shall be deemed to be regular where the employee has
31 been engaged to perform activities which are usually necessary or desirable in the
32 usual business or trade of the employer [except where the employment has been
33 fixed for a specific project or undertaking the completion or termination of which has
34 been determined at the time of the engagement of the employee or where the work

or service to be performed is seasonal in nature and the employment is for the duration of the season]. THE PROVISIONS ON PERMISSIBLE AND LEGAL SUBCONTRACTING AND LAWFUL CASUAL EMPLOYMENT ARRANGEMENTS NOTWITHSTANDING, THE TOTAL NUMBER OF LAWFUL CASUAL EMPLOYMENT AND LAWFUL CONTRACTUAL EMPLOYMENT CANNOT EXCEED TWENTY PERCENT (20%) OF THE TOTAL WORKFORCE, INCLUDING THE CASUAL AND CONTRACTUAL EMPLOYEES: *PROVIDED*, THAT THIS SHALL IN NO CASE NOT BE INTERPRETED TO MEAN THAT LABOR-ONLY CONTRACTING, ILLEGAL SUBCONTRACTING AND MISCLASSIFICATION OF WORKERS AS CASUALS SHALL BE ALLOWED PROVIDED THEY DO NOT EXCEED TWENTY PERCENT (20%): *PROVIDED, FURTHER*, THAT THE EXISTENCE OF EMPLOYER-EMPLOYEE RELATIONSHIP AND THE DETERMINATION OF WHETHER A POSITION IS REGULAR SHALL BE DONE ON A POSITION PER POSITION AND EMPLOYEE PER EMPLOYEE BASIS, AND WITHOUT REGARD TO THE TWENTY PERCENT (20%) TOTAL OF ALLOWABLE MAXIMUM LEGAL CONTRACTUAL AND CASUAL EMPLOYMENT.

"An employment shall be deemed to be casual if it is not [covered by the preceding paragraph] **RELATED TO THE MAIN BUSINESS OF THE EMPLOYER:** *Provided*, That any employee who has rendered at least one year of service, whether such service is continuous or broken, shall be considered a regular employee with respect to the activity in which he is employed and his employment shall continue [while such activity exists] **UNLESS HE IS TERMINATED FOR A JUST CAUSE OR WHEN AUTHORIZED BY THIS TITLE."**

SEC. 10. Project and Extra Employment. A new Article 280-A is hereby inserted in the Labor Code to read as follows:

"ART. 280-A. PROJECT AND EXTRA EMPLOYMENT. – PROJECT EMPLOYMENT REFERS TO THAT WHICH HAS BEEN FIXED FOR A SPECIFIC PROJECT OR UNDERTAKING THE COMPLETION OR TERMINATION OF WHICH HAS BEEN DETERMINED AND MADE KNOWN TO THE EMPLOYEE AT THE TIME OF HIS ENGAGEMENT.

"EXTRA EMPLOYMENT REFERS TO ADDITIONAL WORK TO BE PERFORMED IN RESTAURANT AND HOTEL ESTABLISHMENTS SPECIFICALLY FOR BANQUET FUNCTIONS, SEMINARS AND SIMILAR FUNCTIONS WHERE THE

1 REGULAR EMPLOYEES CANNOT REASONABLY COPE WITH THE INCREASED
2 DEMANDS OF SUCH EVENTS.

3 "PROJECT AND EXTRA EMPLOYEES SHALL HAVE THE RIGHT TO SECURITY
4 OF TENURE AND ARE ENTITLED TO RESUME THEIR EMPLOYMENT IN THE
5 SAME OR SIMILAR POSITION UPON THE START OF THE NEXT PROJECT OR
6 OCCASION FOR EXTRA EMPLOYMENT, AS THE CASE MAY BE: *PROVIDED,*
7 THAT, DURING THE TIME THAT THEIR SERVICES ARE NOT ACTUALLY
8 AVAILED OF, THEY SHALL BE CONSIDERED TO BE ON AUTHORIZED LEAVE
9 WITHOUT PAY."

10 SEC. 11. A new Article 280-B is hereby inserted in the Labor Code to read as follows:

11 "ART. 280-B. PROHIBITION AGAINST FIXED TERM EMPLOYMENT. - NO
12 EMPLOYER SHALL HIRE ANY EMPLOYEE FOR A FIXED PERIOD, EXCEPT:
13 (1) PROJECT EMPLOYEES; (2) EXTRA EMPLOYEES; (3) THOSE APPOINTED
14 TO SENSITIVE POSITIONS IN THE ACADEME SUCH AS THE DEAN,
15 ASSISTANT DEAN, COLLEGE SECRETARY, AND THOSE OCCUPYING
16 PROFESSORIAL CHAIRS IN HIGHER EDUCATION INSTITUTIONS, AND THE
17 PRINCIPAL IN BASIC EDUCATION INSTITUTIONS; AND (4) THOSE EMPLOYED
18 AS MEMBERS OF THE MANAGERIAL STAFF. OTHER THAN THE FOREGOING
19 EXCEPTIONS, ANY STIPULATION FIXING A PERIOD OF EMPLOYMENT SHALL
20 BE VOID."

21 SEC. 12. Article 281 of the Labor Code is hereby amended to read as follows:

22 "ART. 281. Probationary employment. - Probationary employment shall not
23 exceed six (6) months from the date the employee started working [unless it is
24 covered by an apprenticeship agreement stipulating a longer period]. The services
25 of an employee who has been engaged on a probationary basis may be terminated
26 for a just cause or when he fails to qualify as a regular employee in accordance with
27 reasonable standards made known by the employer to the employee at the time of
28 his engagement. An employee who is allowed to work after a probationary period,
29 **EVEN UNDER THE GUISE OF AN EXTENSION**, shall be considered a regular
30 employee."

31 SEC. 13. Article 288 of the Labor Code is hereby amended to read as follows:

1 **"ART. 288. Penalties.** - Except as otherwise provided in this Code, or unless the
2 acts complained of hinge on a question of interpretation or implementation of
3 ambiguous provisions of an existing collective bargaining agreement, any violation
4 of the provisions of this Code declared to be unlawful or penal in nature shall be
5 punished with a fine of not less than One Thousand Pesos (P1,000.00) nor more
6 than Ten Thousand Pesos (P10,000.00) or imprisonment of not less than three
7 months nor more than three years, or both such fine and imprisonment at the
8 discretion of the court.

9 **"ANY PRINCIPAL OR SUBCONTRACTOR WHO ENGAGES IN LABOR ONLY**
10 **CONTRACTING AND/OR VIOLATES ARTICLES 106, 106-A, 106-B, 106-C, 106-D**
11 **AND 106-E SHALL BE SOLIDARILY LIABLE TO INDEMNIFY EACH**
12 **SUBCONTRACTED EMPLOYEE NO LESS THAN FIFTY THOUSAND PESOS**
13 **(P50,000.00) WITHOUT PREJUDICE TO OTHER MONETARY AWARDS TO**
14 **WHICH SUCH SUBCONTRACTED EMPLOYEE MAY BE ENTITLED SUCH AS**
15 **BACKWAGES, MONETARY CLAIMS AND BENEFITS UNDER AN APPLICABLE**
16 **CERTIFIED BARGAINING AGREEMENT OR COMPANY POLICY, WHETHER**
17 **WRITTEN OR OTHERWISE.**

18 **"ANY EMPLOYER WHO DELIBERATELY CATEGORIZES OR OTHERWISE**
19 **TREATS REGULAR EMPLOYEES TO BE ANY NON-REGULAR EMPLOYEE**
20 **SHALL BE LIABLE TO INDEMNIFY EACH MISCLASSIFIED EMPLOYEE NO**
21 **LESS THAN FIFTY THOUSAND PESOS (P50,000.00) WITHOUT PREJUDICE TO**
22 **OTHER MONETARY AWARDS TO WHICH SUCH EMPLOYEE MAY BE ENTITLED**
23 **SUCH AS BACKWAGES, MONETARY CLAIMS AND BENEFITS UNDER AN**
24 **APPLICABLE CERTIFIED BARGAINING AGREEMENT.**

25 **"In addition to such penalty, any alien found guilty shall be summarily deported upon**
26 **completion of service of sentence.**

27 **"Any provision of law to the contrary notwithstanding, any criminal offense punished**
28 **in this Code, shall be under the concurrent jurisdiction of the Municipal or City Courts**
29 **and the Courts of First Instance."**

30 **SEC. 14. Implementing Rules and Regulations.** - The Department of Labor and
31 Employment (DOLE) shall issue, within 60 days after the effectivity of this Act, the rules and
32 regulations for its effective implementation.

1 **SEC. 15. Separability Clause.** - If, for any reason, any section or provision of this Act is
2 held unconstitutional or invalid, the other sections or provisions hereof shall not be affected thereby
3 and shall continue to be in full force and effect.

4 **SEC. 16. Repealing Clause.** - All laws, decrees, executive orders, rules and regulations, or
5 parts thereof inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

6 **SEC. 17. Effectivity Clause.** - This Act shall take effect fifteen (15) days after its
7 publication in the *Official Gazette* or in at least two (2) national newspapers of general circulation.

Approved,