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

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 4752



Introduced by REP. JESUS ANGEL MANUEL "BONG" C. SUNTAY

EXPLANATORY NOTE

The 1987 Constitution of the Republic of the Philippines guarantees full protection to labor, local and overseas, organized and unorganized, and promotes full employment and equality of employment opportunities for all. Article XIII, Section 3 of the 1987 Constitution explicitly mandates the State to afford workers "security of tenure, humane conditions of work, and a living wage."

However, despite these constitutional guarantees, the persistent problem of labor-only contracting and other precarious employment arrangements has undermined the rights of Filipino workers. The widespread use of "endo" (end-of-contract) schemes and other forms of contractualization has denied many workers the stability of regular employment, fair wages, and long-term security. Employers have been able to circumvent labor laws by disguising employment relationships under contracting and subcontracting arrangements, leaving workers vulnerable to exploitation, job insecurity, and lack of social protection.

This bill seeks to decisively address these concerns by strengthening the security of tenure of workers in the private sector through amendments to key provisions of the Labor Code of the Philippines (Presidential Decree No. 442, as amended). It introduces stricter regulations on contracting arrangements, imposes heavier penalties on prohibited practices, and clarifies the scope of workers' rights in line with the constitutional mandate of protecting labor.

The passage of this measure is urgent and necessary to put an end to abusive contractualization practices that deprive millions of Filipino workers of their constitutional rights. By setting stricter qualifications for legitimate contractors, outlawing labor-only contracting in absolute terms, and reinforcing workers' right to security of tenure, this bill strikes a balance between management flexibility and labor protection.

Moreover, it upholds the principle that while businesses have the right to enter into service agreements, such arrangements should never be at the expense of workers' security, dignity, and livelihood. This proposed measure is therefore not only a legal reform but also a moral imperative aligned with the State's duty to uplift labor and promote social justice.

1 In view of the foregoing, the immediate passage of this bill is earnestly sought.
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REP. JESUS "BONG" C. SUNTAY

1 Republic of the Philippines
2 **HOUSE OF REPRESENTATIVES**
3 Constitution Hills, Quezon City

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5 **TWENTIETH CONGRESS**
6 First Regular Session
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8 **HOUSE BILL NO. 4752**
9

10 Introduced by REP. JESUS MANUEL BONG SUNTAY
11

12
13 **AN ACT STRENGTHENING THE SECURITY OF TENURE OF WORKERS**
14 **IN THE PRIVATE SECTOR, AMENDING FOR THE PURPOSE ARTICLES**
15 **106, 107, 108, 109, AND 294 OF PRESIDENTIAL DECREE NO. 442**
16 **OTHERWISE KNOWN AS THE LABOR CODE OF THE PHILIPPINES,**
17 **AS AMENDED**
18
19

20 Be it enacted by the Senate and House of Representatives of the Philippines in
21 Congress assembled:
22

23 **SECTION 1. *Short Title.*** – This Act shall be known as the “Security of Tenure
24 Act”.
25

26 **SECTION 2.** Article 106 of the Labor Code is hereby amended as follows:
27

28 “Art. 106. [~~Contractor or subcontractor.~~]
29 **LEGITIMATE CONTRACTOR. – A LEGITIMATE**
30 **CONTRACTOR REFERS TO ANY LICENSED**
31 **PERSON OR ENTITY ENGAGED IN A**
32 **LEGITIMATE CONTRACTING**
33 **ARRANGEMENT PROVIDING SERVICES FOR**
34 **A SPECIALIZED JOB OR UNDERTAKING**
35 **UNDER A SERVICE AGREEMENT FOR A**
36 **DEFINITE OR PREDETERMINED PERIOD,**
37 **REGARDLESS SUCH WORK IS TO BE**
38 **PERFORMED OR COMPLETED WITHIN OR**
39 **OUTSIDE THE PREMISES OF THE PRINCIPAL.**
40 **THE SECRETARY OF LABOR AND**
41 **EMPLOYMENT, BASED ON THE**
42 **RECOMMENDATION OF THE NATIONAL**
43 **TRIPARTITE INDUSTRIAL PEACE COUNCIL**
44 **(NTIPC), UNDER ART. 290 (C) OF THE LABOR**
45 **CODE, AS AMENDED, SHALL DETERMINE BY**
46 **APPROPRIATE REGULATIONS SPECIFIC**
47 **ACTIVITIES WHICH MAY BE CONTRACTED**
48 **OUT.**

49 Whenever an employer enters into a contract
50 with another person for the performance of the
former’s work, the employees of the **LEGITIMATE**

1 contractor ~~[and of the latter's subcontractor, if any,]~~
2 shall be paid in accordance with the provisions of this
3 Code.

4 In the event that the **LEGITIMATE** contractor
5 ~~[or subcontractor]~~ fails to pay the wages **AND**
6 **OTHER WAGE-RELATED BENEFITS** of his
7 employees in accordance with this Code, the employer
8 shall be jointly and severally liable with his
9 **LEGITIMATE** contractor ~~[or subcontractor]~~ to such
10 employees to the extent of the work performed under
11 the contract, in the same manner and extent that he is
12 liable to employees directly employed by him.

13 ~~[The Secretary of Labor and Employment may, by~~
14 ~~appropriate regulations, restrict or prohibit the~~
15 ~~contracting-out of labor to protect the rights of workers~~
16 ~~established under this Code. In so prohibiting or~~
17 ~~restricting, he may make appropriate distinctions~~
18 ~~between labor-only contracting and job contracting as~~
19 ~~well as differentiations within these types of~~
20 ~~contracting and determine who among the parties~~
21 ~~involved shall be considered the employer for purposes~~
22 ~~of this Code, to prevent any violation or circumvention~~
23 ~~of any provision of this Code.]~~

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

35
36 **SECTION 3.** A new article, Article 106-A, is hereby inserted after Article 106, to read
37 as follows:

38 **"ART. 106-A. CONDITIONS OF**
39 **LEGITIMATE CONTRACTING. CONTRACTING**
40 **ALLOWED UNDER THE PRECEDING ARTICLE**
41 **SHALL BE DONE ONLY IF THE PERSON OR**
42 **ENTITY ACTING AS CONTRACTOR OBTAINS A**
43 **LICENSE FROM THE DEPARTMENT OF**
44 **LABOR AND EMPLOYMENT (DOLE) AND**
45 **ONLY IF IT PERFORMS A JOB, WORK, OR**
46 **SERVICE IDENTIFIED BY THE SECRETARY**
47 **OF LABOR AND EMPLOYMENT, BASED ON**
48 **THE RECOMMENDATION OF THE NATIONAL**
49 **TRIPARTITE INDUSTRIAL PEACE COUNCIL**
50 **(NTIPC), UNDER ART. 290 (C) OF THE LABOR**
51 **CODE, AS AMENDED.**

1 **SUCH LICENSE SHALL BE ISSUED AND**
2 **MAINTAINED ONLY IF THE APPLICANT:**

3 **A. HAS A PAID-UP CAPITAL OF AT LEAST**
4 **TEN MILLION PESOS**
5 **(P10,000,000.00), WHICH MAY BE**
6 **INCREASED BY THE SECRETARY OF**
7 **LABOR AND EMPLOYMENT AS**
8 **DEEMED APPROPRIATE THROUGH**
9 **TRIPARTITE CONSULTATION;**

10 **B. ENGAGES IN AN IDENTIFIED**
11 **SPECIALIZED JOB, WORK, OR**
12 **SERVICE WHICH ARE NOT DIRECTLY**
13 **RELATED TO THE MAIN BUSINESS OF**
14 **THE PRINCIPAL;**

15 **C. FURNISHES A BOND UNDER ARTICLE**
16 **108 OF THIS CODE EQUAL TO**
17 **TWENTY-FIVE PERCENT (25%) OF THE**
18 **TOTAL CONTRACT COST; AND**

19 **D. PAYS A LICENSE FEE OF FIFTY**
20 **THOUSAND PESOS (P50,000.00),**
21 **WHICH MAY BE INCREASED BY THE**
22 **SECRETARY OF LABOR AND**
23 **EMPLOYMENT AS DEEMED**
24 **APPROPRIATE THROUGH**
25 **TRIPARTITE CONSULTATION;**

26 **THE LICENSE SHALL BE VALID FOR A**
27 **PERIOD OF TWO (2) YEARS AND MAY BE**
28 **RENEWED UPON COMPLIANCE WITH**
29 **THE REQUIREMENTS PRESCRIBED AND**
30 **OTHER REQUIREMENTS AS MAY BE**
31 **DETERMINED BY THE DOLE. PROVIDED,**
32 **THAT THE JOB, WORK, OR SERVICE TO**
33 **BE PERFORMED CONTINUES TO BE**
34 **DETERMINED BY THE SECRETARY OF**
35 **LABOR AND EMPLOYMENT AS VALID**
36 **FOR CONTRACTING, BASED ON THE**
37 **RECOMMENDATION OF THE NATIONAL**
38 **TRIPARTITE INDUSTRIAL PEACE**
39 **COUNCIL (NTIPC)."**

40
41 **SECTION 4.** Article 107 of the Labor Code is hereby deleted and replaced as
42 follows:

43 **"ART. 107. ABSOLUTE PROHIBITION**
44 **AGAINST LABOR-ONLY CONTRACTING.**
45 **THERE IS LABOR-ONLY CONTRACTING**
46 **WHEN THE CONTRACTOR MERELY**
47 **RECRUITS, SUPPLIES, OR PLACES WORKERS**
48 **TO PERFORM A JOB OR WORK FOR A**
49 **PRINCIPAL.**

1 **LABOR-ONLY CONTRACTING, WHICH IS**
2 **TOTALLY PROHIBITED, REFERS TO AN**
3 **ARRANGEMENT WHERE:**

- 4 1. a. **THE CONTRACTOR DOES NOT HAVE**
5 **SUBSTANTIAL CAPITAL, OR**
6 b. **THE CONTRACTOR DOES NOT**
7 **HAVE INVESTEMENTS IN THE**
8 **FORM OF TOOLS, EQUIPMENT,**
9 **MACHINERIES, SUPERVISION,**
10 **WORK PREMISES, AMONG**
11 **OTHERS, AND**
12 c. **THE CONTRACTOR'S EMPLOYEES**
13 **RECRUITED AND PLACED ARE**
14 **PERFORMING ACTIVITIES WHICH**
15 **ARE DIRECTLY RELATED TO THE**
16 **MAIN BUSINESS OPERATION OF**
17 **THE PRINCIPAL; OR**
18 2. **THE CONTRACTOR DOES NOT**
19 **EXERCISE THE RIGHT TO CONTROL**
20 **OVER THE PERFORMANCE OF THE**
21 **WORK OF THE EMPLOYEE.**

22 **THE LICENSE OF THE CONTRACTOR**
23 **ENGAGED IN LABOR-ONLY CONTRACTING**
24 **SHALL BE REVOKED. IN ADDITION, A FINE**
25 **OF FIVE MILLION PESOS (P5,000,000.00)**
26 **SHALL BE IMPOSED.**

27 **PROPRIETORS, PARTNERS, OFFICERS,**
28 **AND/OR DIRECTORS DIRECTLY OR**
29 **INDIRECTLY RESPONSIBLE FOR THE**
30 **COMMISSION OF LABOR-ONLY**
31 **CONTRACTING SHALL BE PROHIBITED**
32 **FROM FURTHER ENGAGING IN THE**
33 **BUSINESS OF CONTRACTING.”**

34
35 **SECTION 5.** Article 108 of the Labor Code is hereby amended as follows:

36 “Art. 108. Posting of bond. - ~~[An employer or~~
37 ~~indirect employer may]~~ **THE PRINCIPAL SHALL**
38 require the contractor ~~[or subcontractor]~~ to furnish a
39 bond ~~[equal to the cost of labor under contract]~~
40 **EQUAL TO TWENTY-FIVE PERCENT (25%) OF**
41 **THE TOTAL CONTRACT COST**, on condition that
42 the bond will answer for the wages **AND WAGE-**
43 **RELATED BENEFITS** due the employees should the
44 contractor ~~[or subcontractor, as the case may be,]~~ fail
45 to pay the same.”

46
47 **SECTION 6.** Article 109 is hereby amended as follows:

48 “Art. 109. Solidary liability. The provisions of
49 existing laws to the contrary notwithstanding, every
50 **PRINCIPAL** ~~[employer or indirect employer]~~ shall be
51 held responsible with his contractor ~~[or subcontractor]~~

1 for any violation of any provision of this Code. For
2 purposes of determining the extent of their civil liability
3 under this Chapter, they shall be considered as direct
4 employers.”

5
6 **SECTION 7.** Article 294 of the Labor Code is hereby amended as follows:

7 “Art. 294. Security of tenure. ~~[In cases of regular~~
8 ~~employment, the employer shall not terminate]~~ [t]The
9 services of an employee, **IRRESPECTIVE OF**
10 **EMPLOYMENT STATUS OR POSITION, SHALL**
11 **NOT BE TERMINATED** except for a just cause or
12 when authorized by this Title. An employee who is
13 unjustly dismissed from work shall be entitled to
14 reinstatement without loss of seniority rights and other
15 privileges and to his/**HER** full backwages, inclusive of
16 allowances, and to his/**HER** other benefits or their
17 monetary equivalent computed from the time his/**HER**
18 compensation was withheld from him/**HER** up to the
19 time of his actual reinstatement.

20 **THE MERE EXPIRATION OF THE SERVICE**
21 **AGREEMENT UNDER ARTICLE 106 OF THIS**
22 **CODE SHALL NOT BE DEEMED AS A**
23 **TERMINATION OF EMPLOYMENT OF THE**
24 **CONTRACTOR’S EMPLOYEES WHO ARE**
25 **REGULAR EMPLOYEES OF THE LATTER.**
26

27 **SECTION 8. *Separability Clause.*** – If any part, section or provision of this Act
28 is declared invalid or unconstitutional, the other provisions not affected by such
29 declaration shall remain in full force and effect.
30

31 **SECTION 9. *Repealing Clause.*** – All laws, decrees, orders, rules, and
32 regulations, or other issuances or parts thereof inconsistent with the provisions of
33 this Act are hereby repealed, amended or modified accordingly.
34

35 **SECTION 10. *Effectivity.*** – This Act shall take effect fifteen (15) days after its
36 publication in the *Official Gazette* or in a newspaper of general circulation.
37

38 Approved,