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JOINT PRESS STATEMENT:

Business Groups Position on Security of Tenure Bill

The joint PBG-JFC urge the president to veto the Security of Tenure (SOT) bill for two primary reasons:

First, the SOT bill is redundant as there are previously approved laws that already protect workers from Endo, it impinges on management prerogative anchored on the constitution, and it excludes contract workers hired by government agencies; and

Second, the passage of the bill could have a negative impact to the Philippine economy and to the workers whom the bill aims to protect.

At the start of the Administration’s campaign in 2016 to eradicate Endo, the Department of Labor and Employment (DOLE) estimated the number of workers under job contracting arrangement at 670,000 in the private sector and more than 700,000 in the government. After releasing D.O. 174 in early 2017 and the signing of E.O. 51 by President Duterte in May 2018 which both prohibit Endo, DOLE Secretary Silvestre H. Bello III announced in May 2019 that some 500,000 of these workers in the private sector have already been given regular status. The regularization of the remaining workers can be achieved through the continuous implementation of both laws.

The current laws, D.O. 174 and E.O. 51, already expressly prohibit the practice of labor-only contracting or the so-called “Endo” and other illegal forms of contracting. More than a new law that could adversely affect the country’s global competitiveness, stronger enforcement of the current bills and policies is essential.

Moreover, job contracting as an exercise of management prerogative and business judgment is anchored on two constitutional rights: right and freedom to contract and right to property. The Supreme Court has recognized the propriety right of companies to exercise an inherent prerogative and its best business judgment to determine whether it should contract out performance of some of its work to independent contractors.

In addition, the SOT bill also does not cover contractual workers hired by government agencies due to the potential severe fiscal challenge it may pose, as well as uncertainties over whether the contractual workers will be regularized, given Civil Service Commission requirements. Therefore, it does

not protect contractual workers hired by government with tenure of up to 15 years already, under the so-called “job order” system. On the other hand, equal opportunity is not given to private employers as it isolates them by increasing the cost of doing business that could hinder their operations and slow down growth.

Finally, the SOT Bill can have the opposite effect on job creation and security of tenure, as enterprises may choose to eliminate the low-skilled work currently contracted out to service providers by using automation and artificial intelligence, re-designing work processes, or transferring work to more investor-friendly foreign destinations.

Agreed:

American Chamber of Commerce of the Philippines
Australian-New Zealand Chamber of Commerce
Canadian Chamber of Commerce of the Philippines
European Chamber of Commerce of the Philippines
Foundation for Economic Freedom
IT and Business Process Association of the Philippines
Japanese Chamber of Commerce and Industry of the Philippines, Inc.
Korean Chamber of Commerce Philippines
Makati Business Club
Management Association of the Philippines
Philippine Association of Multinational Companies Regional Headquarters, Inc.
Philippine Chamber of Commerce and Industry
Semiconductor & Electronics Industries in the Philippines Inc.