



## **Ending service contracting will result in job losses to millions of workers – PALSCON**

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Calls for ending the practice of service contracting in the Philippines will be disastrous to the economy since it will result in the unemployment of more than one million Filipinos, the Philippine Association of Legitimate Service Contractors (PALSCON) said.

The latest data from the Philippine Statistics Authority (PSA) showed that as of June, 2016, there were 1.2 million Filipinos classified as non-regular workers, including contractual workers usually employed under a service contracting arrangement. While the figure has fallen from 1.3 million in June, 2014, the number is still substantial and could push up the country's unemployment rate.

PALSCON further explained that service contracting is necessary because of the seasonality in demand for workers of most industries. The retail industry, for example, needs to hire more employees under service contracting arrangements during Christmas season to meet the surge in the number of shoppers.

On a similar note, the agricultural sector needs more workers during harvest season. Construction companies will hire more employees once they win more contracts to build, for example, a condominium unit, a hotel, or an airport.

Based on the latest jobs data from the PSA, the country's unemployment rate fell to 5.3 percent in January this year from 6.6 percent in the same month in 2017. The number of jobless Filipinos declined to 2.3 million from 2.8 million during the period.

PALSCON has also communicated its concern on how the country's jobless rate will rise if the practice of service contracting is disallowed. Its impact on the economy should also be considered since more people who don't have jobs would mean less demand for consumer goods and will result in the rise in the number of Filipinos suffering from poverty and worse, hunger.

"Service contracting is not unique in the Philippines. It is a globally accepted labor practice that developed economies such as those in Europe adopt to cope with the seasonality in the demand for manpower, among other considerations," explains Rhoda Caliwara, president of PALSCON.

President Rodrigo Duterte promised during the presidential campaign in 2016 to end contractualization or most commonly known as "endo" and "5-5-5," which some labor groups have misinterpreted as including the practice of service contracting.

These labor groups have been urging the government to disallow the practice of contractualization since it violates the country's labor laws and it does not offer security of tenure to workers. Employees under service contracting arrangements are also paid below the mandated minimum wages and do not have benefits such a membership to the Social Security System (SSS), they added.

But economists Vicente Paqueo and Aniceto Orbeta Jr. from the Philippine Institute of Development Studies (PIDS) belied these claims in their research paper.

In the research paper titled “Beware of the ‘End Contractualization!’ Battlecry,” the economists cited a 2014 survey suggesting that 95 percent of those employed on a contractual basis appeared “satisfied” with their current jobs. Majority of these workers also enjoyed coverage from the SSS (95.7 percent), Pag-IBIG (92.8 percent), and PhilHealth (94.8 percent).

Most of the workers surveyed were also receiving minimum wages, as well as overtime pay, holiday premiums and 13th month pay, the PIDS economists wrote.

It should be noted that the service contracting industry respects the rights of workers and will give exactly the same – or even more – statutory benefits mandated by the Labor Code to those given by regular employers.