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Govt urged to weigh options for ‘endo’

by Mayvelin U. Caraballo, January 17, 2017

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THE government should carefully weigh its policy options on “endo,” or temporary employment contracts (TEC), because immediately ending the practice could undermine the goal of achieving rapid, inclusive and sustained economic growth, a state think tank said.

“Endo,” short for end-of-contract, is a practice that refers to the use of temporary employment contracts whereby a firm hires a temporary worker for a six-month probationary period, dismisses them after a few (usually five) months, then rehires them and dismisses them again after five months, colloquially known as “5-5-5.”

The Philippines Institute for Development Studies (PIDS) said that last year, anti-contractualization advocates succeeded in getting political leaders, including the elected President and Vice President, to commit to a new law and the immediate issuance of regulations that would tighten, if not abolish, the use of TECs and tamp down abuses in outsourcing.

Following up on his electoral promise, President Rodrigo Duterte has given his new Department of Labor and Employment (DOLE) Secretary marching orders to end “contractualization.” The President emphasizes that the government, after all, is mandated by the constitution to provide job security to all workers.

“There is little doubt that the ‘endo’ practice is illegal. Therefore, to uphold the majesty of the law, the government is obligated to end the practice,” PIDS stated in a recently released report.

However, it should not prevent citizens from questioning the wisdom of the current worker regularization law and from examining the need for its amendment, it pointed out.

“More crucially, the outrage against illegal ‘endo’ practices should not blind politicians and voters to the potential adverse consequences of further curtailment or prohibition of temporary employment and job outsourcing,” it added.

In effect, the government needs to carefully weigh the effects of ending endo and of curtailing other TECs, it said.

‘Overblown’ response

“It appears that the need for immediately ending endo is overblown and could significantly impede achievement of inclusive growth,” it said.

PIDS said endo and other TECs play valuable roles in keeping the Philippine economy efficient, competitive and inclusive.

“Ending endo would adversely affect inclusive economic growth, depending on the aggressiveness and nature of government response to the anti-contractualization demands,” it said.

The agency said the call to outlaw TECs is partly due to lack of appreciation of its important role in labor market efficiency. For government and voters to have a more informed response to the anti-contractualization demands, it is critical to have a good understanding of the economic value of TECs, it said.

In its view, PIDS said endo is a mechanism for coping with the business costs and difficulties associated with labor regulations.

“For many employers, their decision to regularize a worker or practice endo depends on their calculation of the costs and benefits from endo practices,” it said.

The think tank said that like the impact of rapidly rising legal minimum wages, some proposed regulatory changes could inadvertently hurt the growth and survival of small enterprises as this could prevent them from providing job opportunities to people with poor credentials.

“Such unintentional consequences could happen, should political leaders fail to recognize TECs’ role in the efficient functioning of labor,” it stated.

Cautionary note

“While we do not pretend to present definitive conclusions about the “anti-contractualization” proposals, we believe that a more informed view of the policy proposal is needed. This is to allow time to find more efficient and less counter-productive alternatives to the proposed curtailment of TEC use. Based on our preliminary reading of immediately available information, we present a cautionary note,” it added.

PIDS said adverse impact would be intensified by imposition of more restrictions on other forms of TECS or, worse, by the passage of pending congressional bills prohibiting all forms of TECs.

“In theory, there are a variety of ways for reducing the prevalence of endo practice. They range from tightening enforcement of existing labor regulations to passing legislation for plugging loopholes that employers are allegedly abusing to circumvent the regularization law,” it said.

“The dilemma is that, on the one hand, limiting government action to tightening enforcement might not be enough to eliminate endo practice, as promised by President Duterte,” it added

On the other hand, PIDS said aggressive threats of government harassment, huge penalties, business closures as well as prohibition of all forms of TECs to close “loopholes” could lead to unintended adverse consequences like reduction in job opportunities and inclusive growth.

The pending bills would also undermine the country’s ability to prepare and re-position its regulatory and policy environment for the impending Fourth Industrial Revolution—the would-be new normal which will bring about massive destruction of current jobs and the creation of new ones.

“Contrary to people’s mindset at present, what is needed, looking forward, is to liberalize the use of TECs and find ways of providing better-paying jobs and income security under the would-be new normal. It is in light of the above observations that the government should address the anti-contractualization issue,” it concluded.//