

FIFTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
First Regular Session )



Senate  
Office of the Secretary

'10 NOV 15 P5:28

S.B. No. **2595**

RECEIVED BY: 

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Introduced by SEN. MANNY VILLAR

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### EXPLANATORY NOTE

Our fundamental law declares that, "labor is a primary social economic force. It shall protect the rights of workers and promote their welfare."

In the past, job-contracting or sub-contracting were confined to security, janitorial, maintenance and other services incidental to the business of the employer. However in recent years, job-contracting or sub-contracting expanded to a wider latitude of work covering more members of the labor force. With this growth came exploitation of certain protective labor legislation and standards. While job-contracting and sub-contracting are allowed by law, it should be subject to regulations to minimize its exploitive aspects.

Sen. Aquilino Q. Pimentel, Jr. crusaded for the protection of sub-contracted employees. Hence, this bill which he filed in the previous congress, mandates indirect employers to ensure that all benefits of employees hired through job contractors are paid in order to avoid the spectacle of a confused and unpaid employee not knowing who to run after for the satisfaction of his hard-earned wage.

The approval of this initiative is earnestly sought.


  
MANNY VILLAR

FIFTEENTH CONGRESS OF THE )  
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AN ACT  
EXPANDING THE LIABILITIES OF INDIRECT EMPLOYERS IN JOB  
CONTRACTING, COVERING OTHER BENEFITS DUE THEIR  
EMPLOYEES, FOR THIS PURPOSE AMENDING ARTICLE 106 OF  
PRESIDENTIAL DECREE 442, AS AMENDED, OTHERWISE KNOWN AS  
THE LABOR CODE OF THE PHILIPPINES

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

**SECTION 1.** Article 106 of Presidential Decree 442, as amended is hereby further amended by adding a paragraph, to read 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.

IF THE EMPLOYEES OF THE CONTRACTOR OF SUBCONTRACTOR HAVE RENDERED AT LEAST ONE YEAR OF SERVICE TO THE SAME EMPLOYER, WHETHER OR NOT SUCH EMPLOYMENT IS CONTINUOUS, SUCH EMPLOYER SHALL ALSO BE JOINTLY AND SEVERALLY BE LIABLE WITH THE CONTRACTOR OR SUBCONTRACTOR FOR THE PAYMENT OF THE EMPLOYEES’ BENEFITS, INCLUDING, BUT NOT LIMITED TO THEIR SEPARATION OR RETIREMENT BENEFITS, PROVIDED, THAT THE LIABILITY OF THE INDIRECT EMPLOYER SHALL BE LIMITED ONLY TO THE PERIOD THAT SUCH EMPLOYEE RENDERED SERVICES TO THE SAID INDIRECT EMPLOYER, THE AVAILMENT AND GRANT OF SEPARATION, RETIREMENT AND OTHER BENEFITS SHALL BE IN ACCORDANCE WITH EXISTING LAWS.

The Secretary of Labor 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 laboronly 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. There is “labor only” contracting where the person 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 be 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.”

**SECTION 2.** If any provision of this Act is held unconstitutional, other provisions not affected thereby shall remain valid and binding.

**SECTION 3.** All laws, presidential decrees, rules and regulations insofar as they are inconsistent with this Act, are hereby repealed, amended or modified accordingly.

**SECTION 4.** This Act shall take effect fifteen (15) days following its publication in the Official Gazette or two (2) newspapers of general circulation, whichever comes first.


Approved,

FIFTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
First Regular Session )



'10 NOV 15 P5:29

S.B. No. **2596**

RECEIVED BY: 

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Introduced by SEN. MANNY VILLAR

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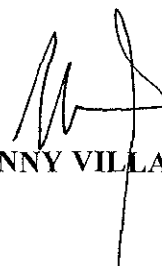
### EXPLANATORY NOTE

Microcredit is the extension of very small loans (microloans) to those in poverty designed to spur entrepreneurship. These individuals lack collateral, steady employment and a verifiable credit history and therefore cannot meet even the most minimal qualifications to gain access to traditional credit. Microcredit is a part of microfinance, which is the provision of a wider range of financial services to the very poor.<sup>1</sup>

In many developing countries, the self-employed comprise more than 50 percent of the labor force. Access to small amounts of credit at reasonable interest rates - instead of the exorbitant ones often charged by traditional moneylenders - allows poor people to move from initial, perhaps tiny, income-generating activities to small microenterprises. In most cases, microcredit programs offer a combination of services and resources to their clients including savings facilities, training, networking, and peer support.<sup>2</sup>

In this way, microcredit allows families to work to end their own poverty - with dignity. Microcredit programs around the world, using a variety of models, have shown that poor people achieve strong repayment records - often higher than those of conventional borrowers. Repayment rates are high because, through a system of peer support and pressure used in many microcredit models, borrowers are responsible for each other's success and ensure that every member of their group is able to pay back their loans.<sup>3</sup> In the Philippines, 32.9%<sup>4</sup> of the estimated 99,900,177 Filipinos<sup>5</sup> live below the poverty line. Of these, nearly three quarters live in rural areas. Despite their limited business scopes, micro-enterprises have a significant and positive effect on the economy. The most appropriate vehicle for countryside-led growth micro-finance remains the Land Bank of the Philippines. As a government universal bank, Landbank's vision is to be a dominant financial institution in the countryside leading the nation to economic prosperity. Financial services for the poor have proved to be a powerful instrument for poverty reduction that enables the poor to build assets, increase incomes, and reduce their vulnerability to economic stress. However, the challenge of providing financial services to them remains.

*In view of the foregoing, the approval of this initiative is earnestly sought.*

  
MANNY VILLAR

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<sup>1</sup> <http://en.wikipedia.org/wiki/Microcredit>

<sup>2</sup> [http://www.microcreditsummit.org/about/what\\_is\\_microcredit/](http://www.microcreditsummit.org/about/what_is_microcredit/)

<sup>3</sup> *Ibid.*

<sup>4</sup> [http://www.indexmundi.com/philippines/population\\_below\\_poverty\\_line.html](http://www.indexmundi.com/philippines/population_below_poverty_line.html)

<sup>5</sup> <http://www.mahalo.com/population-of-philippines>