



## 2014 SURVEY OF EMPLOYMENT In establishments with 20 or more workers

### PROFILE OF ESTABLISHMENTS RESORTING TO OFF-SITE OUTSOURCING OR CONTRACTING/ SUBCONTRACTING OF JOBS/SERVICES: 2014 (Last part of a series)

*This LABSTAT Updates is based on the results of the 2013/2014 Integrated Survey on Labor and Employment (ISLE). The ISLE is a nationwide sample survey covering 8,399 establishments with at least 20 workers. The practice of contracting out jobs/services emerged in the 1980's as a response of firms to deal with the increasing competitions brought about by globalization of trade. This flexible measure allows establishments to cope with the fluctuating demands for their products in the market and reduce cost by concentrating on their core business and outsourcing non-core activities (e.g., backoffice jobs, logistics and courier services, HR and training services, etc.) to third parties.*

*This issue presents (1) statistics on the extent by which off-site outsourcing of business process to a third party is practiced by establishments across industry groups as of June 30, 2014 and (2) profile and economic characteristics of establishments that resorted to off-site outsourcing. The term "outsourcing" or "off-site contracting/subcontracting" in this report refers to jobs/services done outside the premises of the establishment which is different from work processes done by contractor within or inside the premises of the establishment that involved agency-hired workers.*

#### One in every seven establishments was engaged in off-site outsourcing or contracting/subcontracting

- The number of establishments engaged in contracting out/subcontracting of a business process to a third party was placed at 4,978. This figure represents 14.1 percent of the estimated 35,214 establishments employing at least 20 workers as of June 2014. (*Table 1*)
- The practice of off-site outsourcing varied across industry groups and was most common in agriculture, forestry and fishing where nearly one-fourth (23.2%) of 1,370 establishments were engaged in off-site contracting and subcontracting. (*Table 2*)
- Further, other establishments were engaged in outsourcing with more than 15 percent share in their respective industry groups. These were: administrative and support service activities (17.8%); manufacturing (16.4%); wholesale and retail trade, and repair of vehicles and motorcycles (16.1%); and repair of computers and personal and household goods, and other personal service activities (15.5%).

- The bulk of establishments engaged in off-site outsourcing was confined largely to wholesale and retail trade, and repair of vehicles and motorcycles (25.1% or 1,247); and manufacturing (21.6% or 1,074) which collectively accounted for nearly one-half (46.6% or 2,321) of total establishments resorting to outsourcing.
- The rest of the establishments had very minimal shares of 10 percent or below.

**TABLE 1 - Profile of Establishments engaged in Off-site Outsourcing, Philippines: 2014**

ESTABLISHMENT CHARACTERISTIC	Total Establishments	Establishments Engaged in Off-site Outsourcing		
		No.	% to Total	% Share
<b>Total</b>	<b>35,214</b>	<b>4,978</b>	<b>14.1</b>	<b>100.0</b>
<b>Employment size</b>				
20 - 99 workers	26,771	3,904	14.6	78.4
100 - 199 workers	4,378	626	14.3	12.6
200 workers or more	4,065	447	11.0	9.0
<b>Ownership</b>				
Filipino	30,861	4,441	14.4	89.2
Foreign	2,047	291	14.2	5.8
Joint Venture	1,337	155	11.6	3.1
Multinational	968	91	9.4	1.8
<b>Unionism/Collective Bargaining Agreement</b>				
With Union	2,059	270	13.1	5.4
- with CBA	1,946	266	13.7	98.3
- without CBA	114	5	4.1	1.7
Without Union	33,154	4,707	14.2	94.6

*Note: Details may not add up to total due to rounding.*

### Majority of those engaged in outsourcing were small-sized establishments

- By employment size, establishments employing 20-99 workers accounted the bulk (78.4%) of firms resorting to off-site contracting/subcontracting. Medium-sized and large establishments had shares of 12.6% and 9.0%, respectively.
- Relative to percent share to respective total number of establishments, proportion varied slightly for establishments with 20-99 workers (14.6%) and 100-199 workers (14.3%). Meanwhile, establishments with 200 or more workers reported a lower proportion (11.0%).

### Almost all of establishments engaged in outsourcing were Filipino owned

- In terms of ownership, most of the establishments were owned by Filipinos (89.2%). As to proportion to respective total establishments, Filipino-owned and foreign owned establishments recorded almost the same shares at 14.4% and 14.2%, respectively. Meanwhile, joint venture and multinational firms posted shares of 11.6 percent and 9.4 percent.

### Remarkable share (94.6%) of establishments had no union

- With respect to establishments with unions, the proportion of those resorting to off-site outsourcing among establishments with CBA (13.7%) was higher than those with union but without CBA (4.1%).

## Two out of three establishments outsourced finance/accounting services

- Finance/accounting services was the most common office process contracted out to a third party and done outside the premises of the establishments. This was reported by about two-thirds (66.6% or 3,313) of the total establishments engaged in off-site outsourcing. (*Table 3*)
- Meanwhile, off-site outsourcing was less popular in activities related to data processing (1.5% or 73); research and development (1.7% or 83); and packaging/carting (2.5% or 122).

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### FOR INQUIRIES

Regarding this report, contact **EMPLOYMENT DEMAND STATISTICS DIVISION** at telefax no. 376-1952

Regarding other statistics, contact **KNOWLEDGE MANAGEMENT AND COMMUNICATIONS DIVISION** at 462-6600 local 834

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**TABLE 2 - Number of Establishments with 20 or More Workers Engaged in Off-site Outsourcing by Major Industry Group, Philippines: June 2014**

MAJOR INDUSTRY GROUP	Total Establishments	Establishments Resorting to Off-site Outsourcing		
		Number	Percent to Total	Percent Share
<b>ALL INDUSTRIES</b>	<b>35,214</b>	<b>4,978</b>	<b>14.1</b>	<b>100.0</b>
Agriculture, Forestry and Fishing	1,370	319	23.2	6.4
Mining and Quarrying	195	23	11.8	0.5
Manufacturing	6,562	1,074	16.4	21.6
Electricity, Gas, Steam and Air Conditioning Supply	422	45	10.7	0.9
Water Supply; Sewerage, Waste Management and Remediation Activities	315	44	14.0	0.9
Construction	1,042	107	10.4	2.2
Wholesale and Retail Trade; Repair of Vehicles and Motorcycles	7,744	1,247	16.1	25.1
Transportation and Storage	1,160	166	13.9	3.3
Accommodation and Food Service Activities	4,775	510	10.7	10.2
Information and Communication	926	98	10.6	2.0
Financial and Insurance Activities	1,532	98	6.4	2.0
Real Estate Activities	508	29	5.7	0.6
Professional, Scientific and Technical Activities	744	90	12.1	1.8
Administrative and Support Services Activities	2,145	381	17.8	7.7
Education except Public Education	4,139	514	12.4	10.3
Human Health and Social Work Activities except Public Health Activities	923	131	14.2	2.6
Arts, Entertainment and Recreation	208	22	10.6	0.4
Repair of Computers and Personal and Household Goods; Other Personal Service Activities	504	78	15.5	1.6

**TABLE 3 - Number of Establishments with 20 or More Workers Engaged in Off-site Outsourcing by Type of Jobs/Services Contracted Out and Major Industry Group, Philippines: June 2014**

MAJOR INDUSTRY GROUP	Establishments Resorting to Off-site Outsourcing	Type of process outsourced/jobs contracted out													
		Production/Assembly (Outside)	Finance/Accounting	Data Processing/Encoding	Human Resource/Recruitment	Learning/Training	Billing and Payment	Transport Services	Courier Services	Packaging/Crating	Research and Development	Marketing/Sales	Medical and Health Services	Messengerial	Others
<b>ALL INDUSTRIES</b>	<b>4,978</b>	<b>325</b>	<b>3,313</b>	<b>73</b>	<b>274</b>	<b>286</b>	<b>245</b>	<b>386</b>	<b>512</b>	<b>122</b>	<b>83</b>	<b>333</b>	<b>562</b>	<b>233</b>	<b>620</b>
Agriculture, Forestry and Fishing	319	-	293	-	1	-	-	26	4	-	-	-	59	-	8
Mining and Quarrying	23	-	12	-	-	-	-	5	-	-	-	3	2	4	2
Manufacturing	1,074	190	591	8	33	71	23	74	115	29	6	85	197	27	75
Electricity, Gas, Steam and Air Conditioning	45	2	-	-	8	-	18	-	16	-	-	-	-	-	31
Water Supply; Sewerage, Waste Management and Remediation Activities	44	8	3	2	-	9	24	2	-	-	-	-	3	3	18
Construction	107	17	17	1	4	-	1	3	16	-	-	1	3	-	58
Wholesale and Retail Trade; Repair of Vehicles and Motorcycles	1,247	46	900	1	48	29	59	54	120	21	19	132	70	37	108
Transportation and Storage	166	-	91	6	1	1	1	42	17	18	-	5	13	41	35
Accommodation and Food Service Activities	510	15	418	28	88	46	56	51	32	28	28	59	28	45	60
Information and Communication	98	3	52	3	18	8	3	10	17	4	4	5	2	5	25
Financial and Insurance Activities	98	-	27	3	7	29	8	33	40	-	-	2	30	8	23
Real Estate Activities	29	-	22	-	3	-	15	1	5	-	-	1	9	-	19
Professional, Scientific and Technical	90	7	14	1	2	33	24	28	29	-	1	26	34	25	23
Administrative and Support Services Activities	381	29	266	19	50	11	11	6	19	23	24	14	33	14	93
Education except Public Education	514	-	413	-	1	48	-	51	25	-	-	-	25	24	24
Human Health and Social Work Activities except Public Health Activities	131	-	121	-	-	2	-	-	57	-	-	-	55	-	8
Arts, Entertainment and Recreation	22	-	13	-	-	-	-	-	-	-	-	-	-	-	9
Repair of Computers and Personal and Household Goods; Other Personal Service Activities	78	8	61	-	10	-	2	-	-	-	-	-	-	1	-

Note: Details do not add up to totals due to multiple reporting.

Source: Philippine Statistics Authority, 2013/2014 Integrated Survey on Labor and Employment (ISLE).