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### 2010 SURVEY OF EMPLOYMENT in Philippine Industry and Services Sectors

## Profile of Establishments Resorting to Outsourcing or Contracting Out Jobs/Services

(Last of a four-part series)

*This LABSTAT Updates is based on the results of the 2009/2010 BLES Integrated Survey of Establishments (BITS). The BITS is a nationwide sample survey covering 6,780 establishments with at least 20 workers in the industry and services sectors. This issue presents statistics on the extent by which establishments contracted out work, jobs or services outside their premises as of June 30, 2010. It also features the economic characteristic of establishments engaged in this practice.*

### OVERVIEW

Contracting out jobs/services emerged in the 1980s as a response of firms to deal with the increasing competitions brought about by trade globalization. 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 other parties.

As defined in the survey, "contracting out" is an arrangement whereby a principal (i.e., the establishment) agrees to put out or farm out with a third party (i.e., contractor or subcontractor) the performance or completion of a specific job, work or service that is done outside the establishment. This excludes subcontracting that involved agency-hired workers who work within the firm's premises such

as security guards and janitors (Refer to LABSTAT Updates Vol. 16 No. 7, February 2012).

### SURVEY HIGHLIGHTS

#### Number of establishments engaged in contracting out/outsourcing

- The number of establishments resorting to outsourcing or contracting out of job, work or service was placed at 2,471. This figure represents 10.4% of the estimated 23,723 establishments. This suggests that this type of working arrangement is not a common practice among establishments. (*Table 1*)
- Certain industries exhibited incidence of subcontracting that is well above the overall industry average. These include financial intermediation (15.7%), manufacturing (14.7%) and construction (11.9%).

- Lower proportions were observed in mining and quarrying (10.9%); private health and social work (10.6%); and wholesale and retail trade, and real estate, renting and business activities at 10.0% each.
- The bulk of establishments resorting to this type of work arrangement were mainly in manufacturing (31.2%); wholesale and retail trade (19.9%); and real estate, renting and business activities (11.1%). Altogether, they comprised 62.2% of total establishments engaged in contracting out.
- The rest were spread thinly across nine major industry groups with the lowest shares reported in other community, social and personal service activities (1.8%); electricity, gas and water supply (0.9%); and mining and quarrying (0.3%).

### Profile of Establishments Resorting to Contracting Out/ Outsourcing

#### Employment size

- The proportion of establishments engaged in subcontracting varies slightly for medium-sized (10.6%) and small-sized (9.8%) establishments. On the other hand, large-sized establishments reported a higher proportion (14.0%). (Table 2)

#### Ownership

- Firms with foreign equity were more open to the idea of outsourcing than those solely owned by Filipinos. The proportions were higher among establishments with foreign

**TABLE 1 – Non-Agricultural Establishments Engaged in Subcontracting with at Least 20 Workers by Major Industry Group, Philippines: 2010**

MAJOR INDUSTRY GROUP	Total Establishments	Establishments Engaged in Subcontracting		
		No.	% Share to Industry	% Distribution
<b>ALL INDUSTRIES</b>	<b>23,723</b>	<b>2,471</b>	<b>10.4</b>	<b>100.0</b>
Mining and Quarrying	55	6	10.9	0.3
Manufacturing	5,253	770	14.7	31.2
Electricity, Gas and Water Supply	575	23	4.0	0.9
Construction	645	76	11.9	3.1
Wholesale and Retail Trade	4,928	492	10.0	19.9
Hotels and Restaurants	3,166	235	7.4	9.5
Transport, Storage and Communications	1,341	118	8.8	4.8
Financial Intermediation	972	153	15.7	6.2
Real Estate, Renting and Business Activities	2,749	275	10.0	11.1
Private Education Services	2,639	212	8.0	8.6
Private Health and Social Work	616	66	10.6	2.7
Other Community, Social and Personal Service Activities	784	44	5.6	1.8

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

Source: BLES, 2009/2010 BITS.

partners (17.7%) and those fully owned by foreigners (14.2%) than those locally-owned (9.5%).

### Type of Market

- Similarly, export-oriented establishments have greater tendency to practice outsourcing than those serving only the local market. Higher proportions of establishments were noted among those that sold their products partly (19.1%) or fully (13.6%) for export than those that sold their products or services only for the domestic market (9.7%).

### Unionism/CBA

- The practice of contracting out or outsourcing has little bearing on whether or not the establishments have unions or CBAs as the proportions of establishments varied from 10-12%.

**TABLE 2 – Non-Agricultural Establishments Engaged in Subcontracting with at Least 20 Workers by Employment Size, Ownership, Market Type and Unionism/CBA, Philippines: 2010**

INDICATOR	Total Establishments	Establishments Engaged in Subcontracting		
		No.	% Share to Total Establishments	% Distribution
<b>TOTAL</b>	<b>23,723</b>	<b>2,471</b>	<b>10.4</b>	<b>100.0</b>
<b>Employment Size</b>				
20 – 99 workers	17,987	1,767	9.8	71.5
100 – 199 workers	2,877	305	10.6	12.3
200 workers or more	2,859	399	14.0	16.1
<b>Ownership</b>				
Wholly Filipino	20,155	1,913	9.5	77.4
With foreign equity	1,505	266	17.7	10.8
Wholly foreign	2,063	292	14.2	11.8
<b>Market Type</b>				
Wholly domestic	20,908	2,032	9.7	82.2
Export only	1,799	244	13.6	9.9
Both market	1,016	194	19.1	7.9
<b>Unionism</b>				
With union	2,065	254	12.3	10.3
Without union	21,658	2,216	10.2	89.7
<b>CBA</b>				
With CBA	1,980	247	12.5	10.0
Without CBA	21,743	2,224	10.2	90.0

*Note: Details may not add up to total due to rounding.  
Source: BLES, 2009/2010 BITS.*

### Type of jobs/services contracted out

- Accounting and financial services was the most common type of jobs/services contracted out by establishments to a third party. This was reported by more than two-fifths (44.2% or 1,091) of the total establishments engaged in contracting. (Table 3)
- Courier services (24.4%) placed second followed by transport services (18.7%); human resource/recruitment (17.0%); learning/training (12.1%); and billing and payment (11.0%).
- Contracting out of jobs related to production/assembly was resorted to by only 193 firms or 7.8% of the total 2,471 establishments resorting to contracting.

#### FOR INQUIRIES

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**TABLE 3 - Non-Agricultural Establishments Engaged in Subcontracting with 20 or More Workers  
by Type of Jobs/Services Contracted Out and Major Industry Group, Philippines: 2010**

JOBS/SERVICES CONTRACTED OUT	MAJOR INDUSTRY GROUP												
	All Industries	Mining and Quarrying	Manufacturing	Electricity, Gas, and Water Supply	Construction	Wholesale and Retail Trade	Hotels and Restaurants	Transport, Storage and Communi- cations	Financial Intermed- iation	Real Estate, Renting and Business Activities	Private Education Services	Private Health and Social Work	Other Community, Social and Personal Service Activities
<b>TOTAL</b>	<b>2,471</b>	<b>9</b>	<b>770</b>	<b>23</b>	<b>76</b>	<b>492</b>	<b>235</b>	<b>118</b>	<b>153</b>	<b>275</b>	<b>212</b>	<b>66</b>	<b>44</b>
Production/Assembly	193	1	152	-	19	19	-	1	-	-	-	-	-
Finance/Accounting	1,091	1	240	4	27	307	134	51	35	124	84	57	26
Data Processing/ Encoding	141	-	23	4	-	17	24	10	14	19	27	2	-
Human Resource	420	-	119	1	2	46	42	14	26	57	84	29	-
Learning/Training	299	-	74	3	1	33	24	6	43	54	57	3	1
Billing and Payment	271	-	117	5	-	15	54	5	3	19	26	28	-
Transport Services	462	5	181	1	21	38	59	18	59	41	34	2	4
Courier Services	602	1	220	2	7	67	54	29	84	85	30	4	17
Packaging/Crating	108	-	54	-	-	40	-	-	-	-	-	-	15
Research and Development	129	1	6	-	-	14	12	-	1	38	56	-	-
Others	257	-	85	5	23	58	-	22	17	42	4	1	-

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

Source: BLES, 2009/2010 BITS.