



## **PROFILE OF ESTABLISHMENTS RESORTING TO OFF-SITE OUTSOURCING OR CONTRACTING/SUBCONTRACTING OF JOBS/SERVICES: 2012**

*(Last of four-part series)*

*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 LABSTAT Updates is based on the results of the 2011/2012 BLES Integrated Survey (BITS). The BITS is a nationwide sample survey covering 7,061 establishments with at least 20 workers. 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, 2012 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. (See LABSTAT Updates Vol. 18 No. 13 June 2014.)*

### **SURVEY HIGHLIGHTS**

#### **Number of establishments engaged in off-site outsourcing or contracting/subcontracting**

- Outsourcing or contracting/subcontracting of a business process off-site to a third party has not been widely practiced yet among establishments in the Philippines. Survey results indicated that only about 8.6% or 2,263 of total 26,253 establishments employing at least 20 workers as of June 2012 resorted to this type of work flexibility. *(Table 1)*
- The extent of off-site outsourcing varies greatly across industry groups. The practice was most pronounced in electricity, gas,

steam and air conditioning supply where more than two-fifths (43.8%) of establishments were engaged in various forms of off-site outsourcing. *(Table 2)*

- Fairly large proportions were also observed in professional, scientific and technical activities (15.8%); mining and quarrying (15.2%); manufacturing (13.6%); information and communication (13.5%); and financial and insurance activities (12.3%).

Meanwhile, very little off-site outsourcing took place in agriculture, forestry and fishing (1.8%); repair of computers and personal and household goods, and other personal service

activities (1.9%); private education (3.4%); construction (4.6%); human health and social work activities (4.7%); administrative and support service activities (4.8%); and accommodation and food service activities (4.9%).

- The bulk of establishments engaged in off-site outsourcing was confined largely to manufacturing (29.7% or 673); and wholesale and retail trade, and repair of vehicles and motorcycles (21.3% or 483) which collectively accounted for more than one-half (51.1% or 1,156) of total establishments resorting to outsourcing.

The rest were spread across the other sixteen (16) industry groups - most notably in accommodation and food service activities (7.8% or 177); and electricity, gas, steam and air conditioning supply (6.9% or 156).

The share was virtually nil in repair of computers and personal and household goods and other personal service activities (0.3%); agriculture, forestry and fishing (0.6%); mining and quarrying (0.7%); and water supply, sewerage, waste management and remediation activities (0.9%).

#### PROFILE OF ESTABLISHMENTS RESORTING TO OFF-SITE OUTSOURCING

- Relative to total 2,263 establishments engaged in contracting out, the greater majority employed 20-99 workers (59.8%), wholly Filipino (76.2%), wholly domestic in market (86.2%), without union (85.5%) and without CBA (85.5%). In

terms of specific establishment characteristic, the findings are as follows:

**TABLE 1 - Profile of Establishments with at Least 20 Workers Engaged in Jobs/Services Outsourcing, Philippines: June 2012**

ESTABLISHMENT CHARACTERISTIC	Total Establishments	Establishments Engaged in Contracting Out		
		No.	% to Total	% Share
<b>TOTAL</b>	<b>26,253</b>	<b>2,263</b>	<b>8.6</b>	<b>100.0</b>
<b>Employment Size</b>				
20-99 workers	19,377	1,353	7.0	59.8
100-199 workers	3,300	491	14.9	21.7
200 workers or more	3,576	419	11.7	18.5
<b>Ownership</b>				
Wholly Filipino	22,730	1,725	7.6	76.2
W/foreign equity	978	149	15.3	6.5
Wholly Foreign	2,544	389	15.3	17.2
<b>Market Type</b>				
Wholly domestic	24,285	1,950	8.0	86.2
Export only	649	112	17.3	4.9
Both markets	1,319	202	15.3	8.9
<b>Unionism</b>				
With union	2,332	327	14.0	14.4
Without union	23,921	1,935	8.1	85.5
<b>CBA</b>				
With CBA	2,269	326	14.3	14.5
Without CBA	23,984	1,935	8.1	85.5

*Note: Details may not add up to total due to rounding.  
Source of data: Bureau of Labor and Employment Statistics, 2011/2012 BITS.*

#### Employment Size

- The proportion of establishments engaged in off-site outsourcing was reported higher in establishments with 100-199 workers (14.9%). This figure is slightly higher compared with establishments employing 200 or more workers (11.7%) and about twice in establishments with 20-99 workers (7.0%).

#### Ownership

- Firms with foreign equity were more open to outsourcing than those without foreign equity. The proportions of firms engaged in off-site outsourcing was two times higher in establishments with foreign partners (15.3%) or fully

owned by foreigners (15.3%) as compared with Filipino-owned establishments (7.6%).

### Type of Market

- Similarly, the proportions of establishments that export fully (17.3%) or export partly (15.3%) their products abroad was higher than the proportion of establishments that catered solely to the domestic market (8.0%).

### Unionism/CBA

- The practice of off-site outsourcing or contracting/subcontracting has little bearing on the issue of unionism/CBA. Statistics suggest a higher proportion of establishments resorting to off-site outsourcing among establishments with unions (14.0%) and CBA (14.3%) than those without union (8.1%) and without CBA (8.1%).

### TYPE OF JOBS/SERVICES OUTSOURCED/CONTRACTED OUT

- Finance/accounting services was the most common office processes contracted out off-site by establishments to a third party. This was reported by more than one-third (36.7% or 831) of the total establishments engaged in off-site outsourcing. Transport services (27.2% or 615) ranked second followed closely by courier services (27.0% or 611). (*Table 3*)
- Other work processes outsourced off-site include human resource/recruitment (17.8% or 402); billing and payment (14.4% or 327); learning/training (11.3% or 256); and data processing/encoding (10.4% or 236).
- Off-site outsourcing was less popular in activities related to packaging/crating (4.9% or 111); research and development (6.0% or 136); and production/assembly (6.4% or 145). These activities were most often outsourced to agency-hired workers who performed the job inside or within the premises of the establishments (*LABSTAT Updates Vol. 18 No. 13*).

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#### FOR INQUIRIES

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**TABLE 2 - Number of Establishments with 20 or More Workers Engaged in Subcontracting  
by Major Industry Group, Philippines: June 2012**

MAJOR INDUSTRY GROUP	Total Establishments	Establishments Resorting to Subcontracting		
		Number	Percent to Total Establishments	Percent Share
<b>ALL INDUSTRIES</b>	<b>26,253</b>	<b>2,263</b>	<b>8.6</b>	<b>100.0</b>
Agriculture, forestry and fishing	803	14	1.8	0.6
Mining and quarrying	99	15	15.2	0.7
Manufacturing	4,948	673	13.6	29.7
Electricity, gas, steam and air conditioning supply	356	156	43.8	6.9
Water supply; sewerage, waste management and remediation activities	278	20	7.3	0.9
Construction	820	37	4.6	1.6
Wholesale and retail trade; repair of vehicles and motorcycles	5,564	483	8.7	21.3
Transportation and storage	955	67	7.0	3.0
Accommodation and food service activities	3,593	177	4.9	7.8
Information and communication	769	104	13.5	4.6
Financial and insurance activities	1,006	124	12.3	5.5
Real estate activities	525	46	8.8	2.0
Professional, scientific and technical activities	636	101	15.8	4.5
Administrative and support service activities	1,675	80	4.8	3.5
Education except public education	2,794	95	3.4	4.2
Human health and social work activities except public health activities	812	38	4.7	1.7
Arts, entertainment and recreation	250	25	9.9	1.1
Repair of computers and personal and household goods; other personal service activities	369	7	1.9	0.3

*Note: Details may not add up to totals due to rounding of figures.*

*Source of data: Bureau of Labor and Employment Statistics, 2011/2012 BITS.*

**TABLE 3 - Number of Establishments with 20 or More Workers Engaged in Subcontracting by Type of Jobs/Services Contracted Out and Major Industry Group, Philippines: June 2012**

MAJOR INDUSTRY GROUP	Total	Type of Jobs/Services Contracted Out										
		Production/ Assembly	Finance/ Accounting	Data Processing/ Encoding	Human Resource/ Recruitment	Learning/ Training	Billing and Payment	Transport Services	Courier Services	Packaging/ Crating	Research and Development	Others
<b>ALL INDUSTRIES</b>	<b>2,256</b>	<b>145</b>	<b>831</b>	<b>236</b>	<b>402</b>	<b>256</b>	<b>327</b>	<b>615</b>	<b>611</b>	<b>111</b>	<b>136</b>	<b>475</b>
Agriculture, forestry and fishing	14	-	*	*	*	*	-	*	*	*	-	*
Mining and quarrying	15	-	*	*	*	*	-	*	*	-	*	*
Manufacturing	673	140	183	20	92	51	24	177	116	41	21	173
Electricity, gas, steam and air conditioning supply	156	-	37	47	*	28	62	70	46	10	*	11
Water supply; sewerage, waste management and remediation activities	20	-	18	18	12	*	14	12	*	-	-	*
Construction	37	-	27	*	28	*	*	*	*	*	-	*
Wholesale and retail trade; repair of vehicles and motorcycles	483	-	189	71	131	51	67	138	187	30	51	79
Transportation and storage	67	-	20	*	*	*	*	11	18	-	-	25
Accommodation and food service activities	177	-	128	27	57	-	30	*	44	14	14	-
Information and communication	104	*	15	*	13	*	*	26	20	-	16	37
Financial and insurance activities	124	-	13	17	15	65	65	82	36	-	*	*
Real estate activities	46	-	18	17	18	18	18	-	18	-	18	10
Professional, scientific and technical activities	101	*	28	*	-	15	13	34	45	15	*	56
Administrative and support service activities	80	-	52	*	12	*	18	36	21	-	*	11
Education except public education	95	-	58	*	*	*	*	*	29	-	*	30
Human health and social work activities except public health activities	38	-	*	*	*	*	*	*	15	-	-	13
Arts, entertainment and recreation	25	-	23	-	-	-	*	-	-	-	-	-
Repair of computers and personal and household goods; other personal activities	*	-	*	-	-	-	-	-	-	-	-	-

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

\* Less than 10 establishments.

Source of data: Bureau of Labor and Employment Statistics, 2011/2012 BITS.