

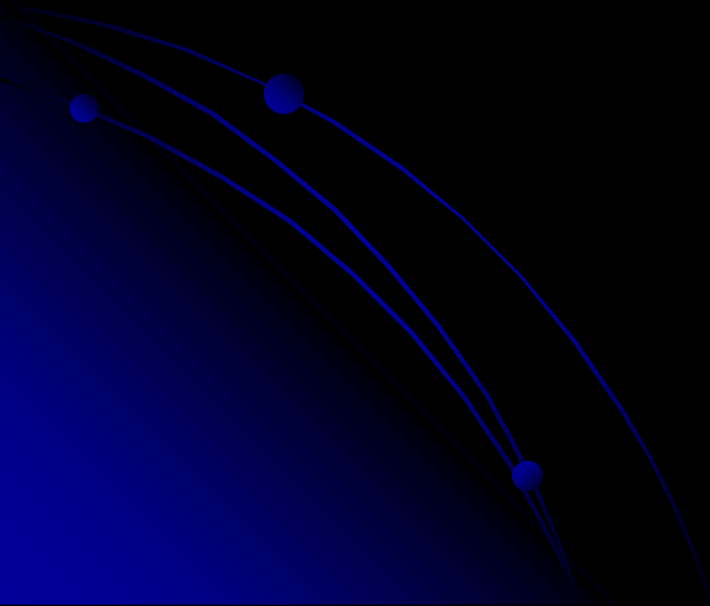
# Labor Service Cooperative Congress Labor Service Challenges and Direction

Puerto Princesa City, Palawan

May 21 to 22, 2015

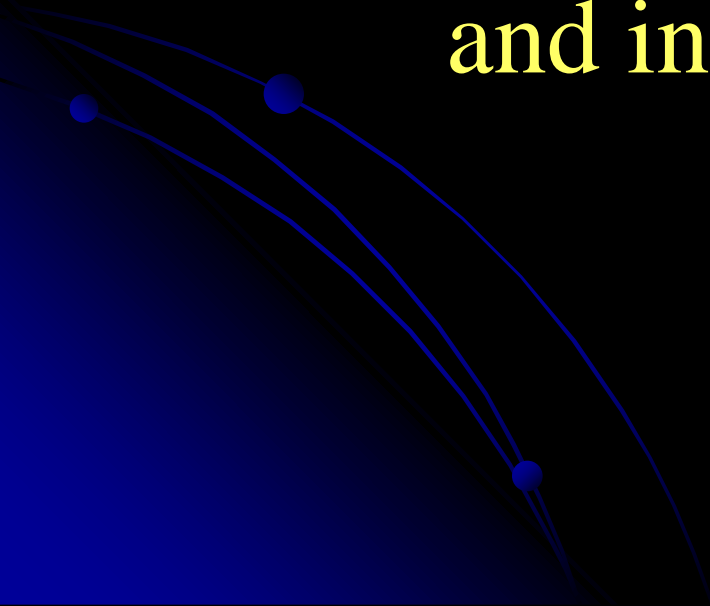
# Background

Labor service cooperatives  
were not ready  
when the market open the opportunity.



# Background

Some pioneer cooperatives  
started as CSR,  
single-client,  
and in-house labor service



When the market fully opened up – cooperatives were not prepared to deal with complexities such as:

- ✓ Employer-Employee Relationship
- ✓ Trilateral Relationship
- ✓ Four Fold Test
- ✓ Due Process of Employee Discipline and Termination
- ✓ Employment Tenure and Separation Pay
- ✓ Statutory Benefits and Labor Standards
- ✓ Different roles of cooperative member, owner and employee
- ✓ Labor Relations
- ✓ Labor Code Compliance

Despite of lack of preparation, companies preferred cooperatives because of continuous service.

They want to disengage from the unproductive five-month cycle of hiring, training, and firing.

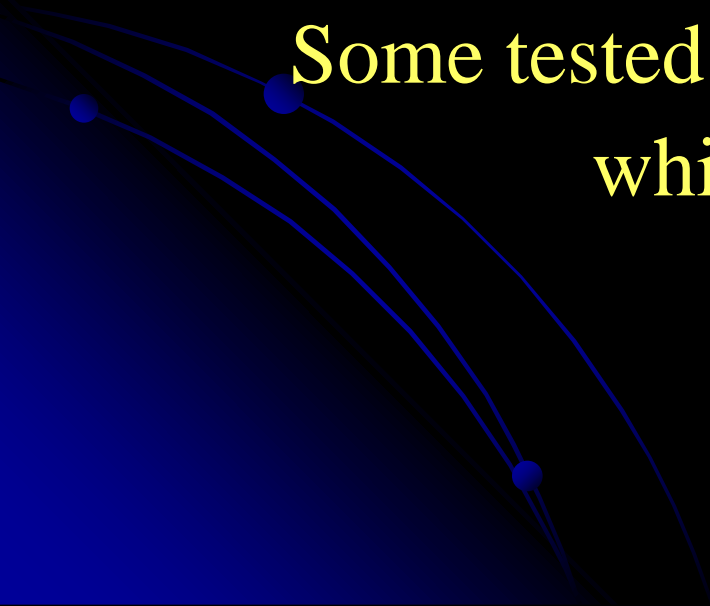
The rise of cooperatives  
in the labor service industry  
created new kind competition in the market:

Traditional manpower agencies lost market share  
and became a fierce competitor

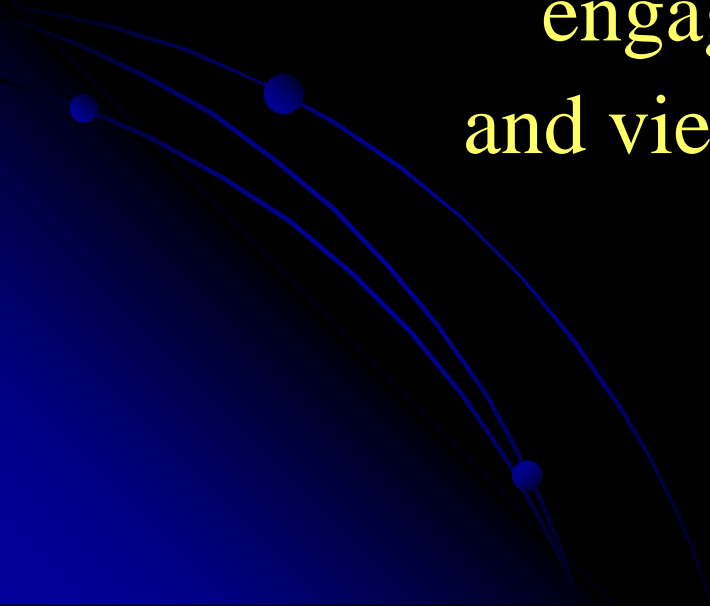
Labor unions were antagonized  
due to its dwindling membership

Due to poor preparation,  
cooperatives took different positions  
to cope with its situation.

Some tested the established regulations,  
while others just do it.

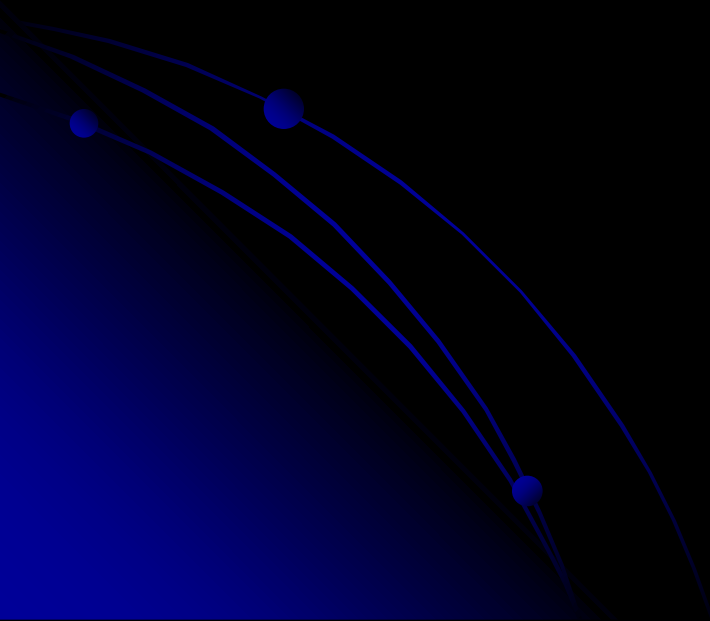


As a result,  
Government regulators  
are highly suspicious of cooperatives  
engaging in labor service  
and viewed them as violators.

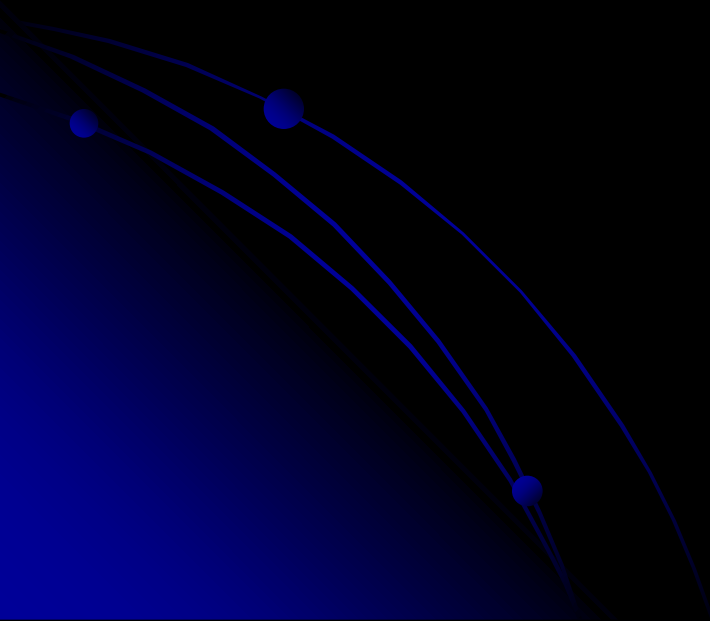




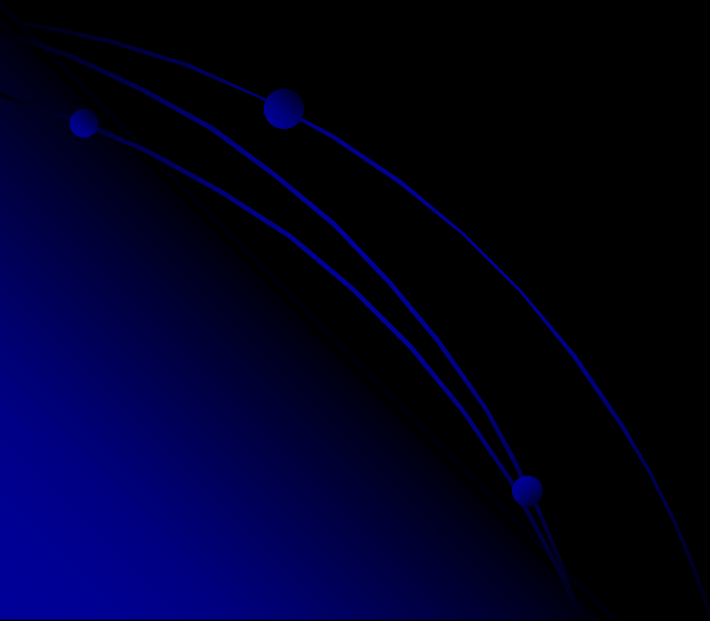
Statutory benefits  
were not complied with  
as mandated by law.



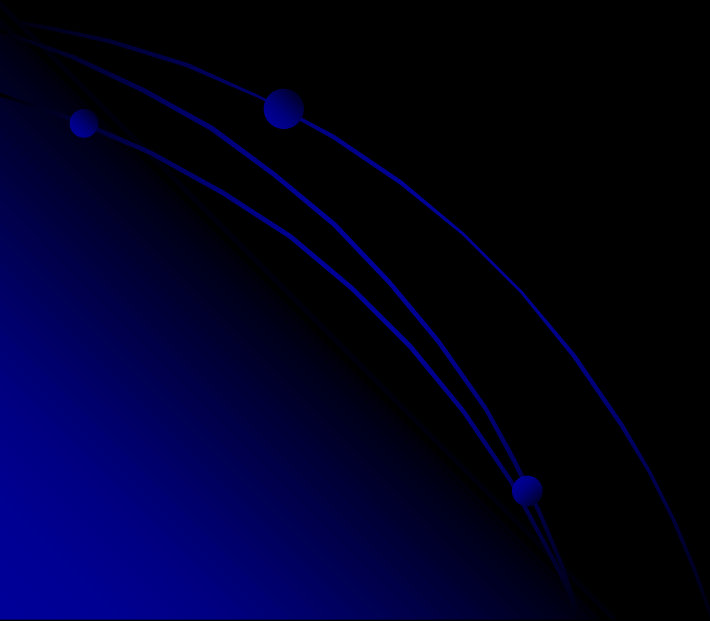
Relationship between  
cooperatives and their employees  
were not clearly defined.



Tenure of employees  
were not protected.

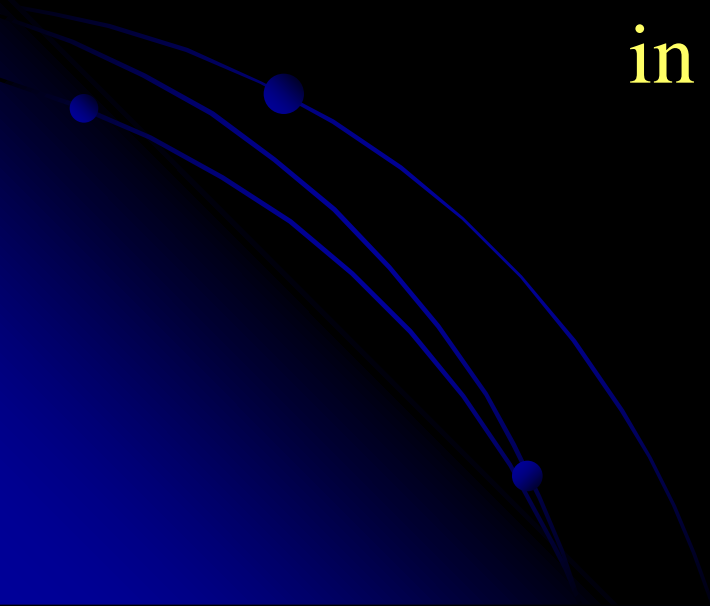


Principals were exposed to  
labor-only practices and violations.

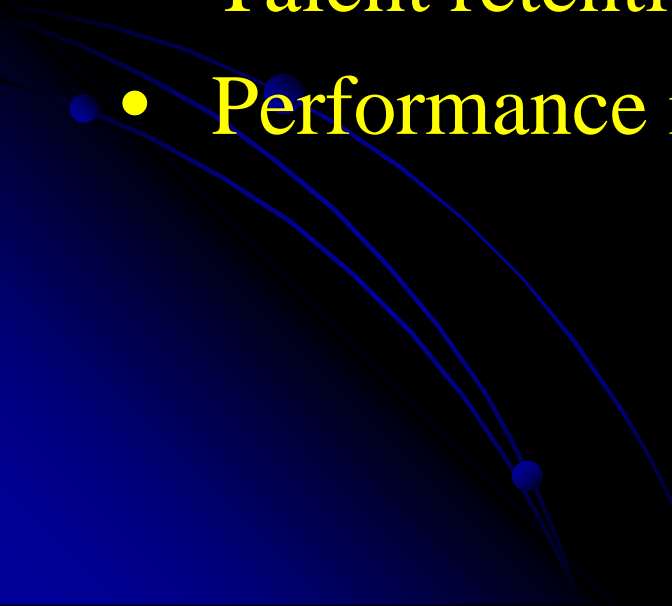


The entry of cooperative labor service  
also caught companies by surprise.

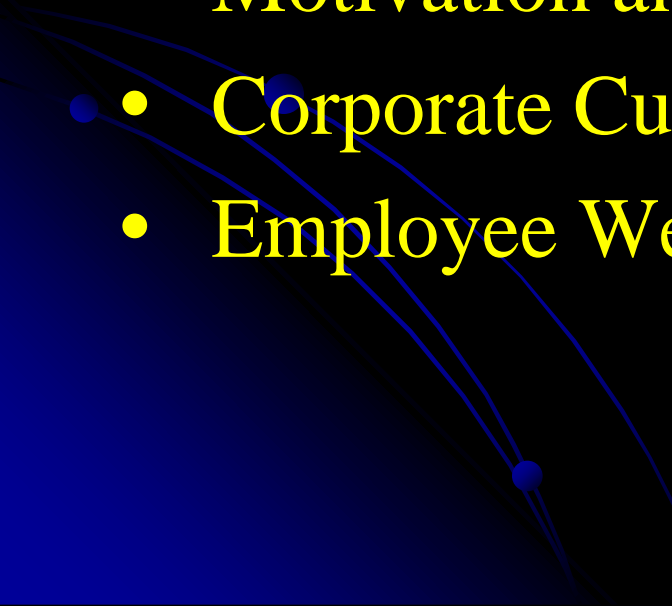
It created serious gaps  
in HR management.



# Impact on HR Management

- HR perspective is lost
  - Management line of sight is lost
  - Risk management is lost
  - Talent retention is lost
  - Performance management is lost
- 

# Neglected HR Perspective

- Legal Compliance and Due Process
  - Labor Relations
  - People Accountability
  - Motivation and Morale
  - Corporate Culture and Values
  - Employee Welfare and Development
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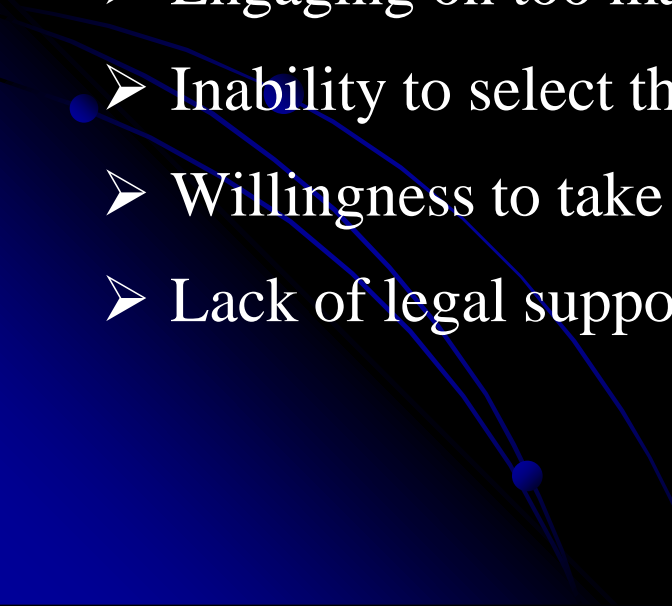
# Cooperative Labor Service Existing Challenges

(where are we now)





# Challenges in Management

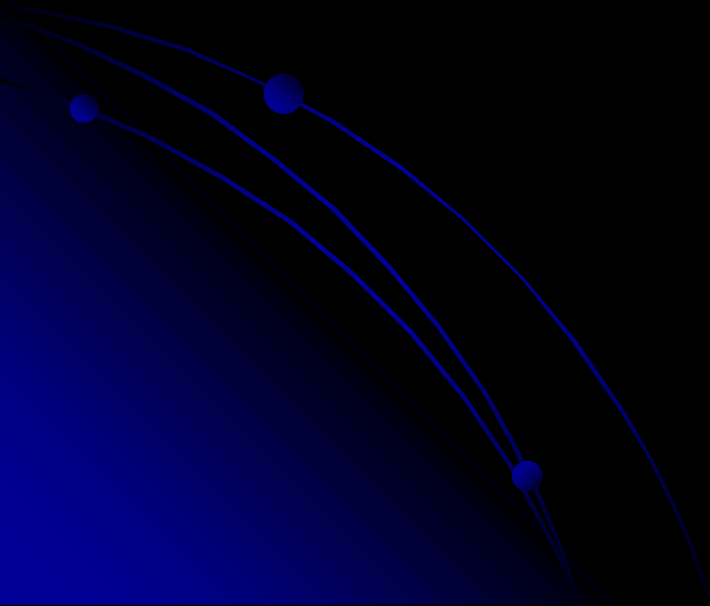
- Poor appreciation of legal requirements and compliance
  - Incomplete set of expertise to run the business
  - Weak financial control and management
  - Non-compliance on accounting standards
  - Engaging on too many businesses
  - Inability to select the right clients
  - Willingness to take a bad deal
  - Lack of legal support
- 

# Challenges in Regulations

- Conflicting regulations
- Obsolete regulations
- Limiting regulations
- Adversarial regulations
- Lack of alignment
- Poor coordination
- Weak implementation is compensated by more laws
- Too much focus on regulations
- Weak emphasis on development

# Challenges in Taxation

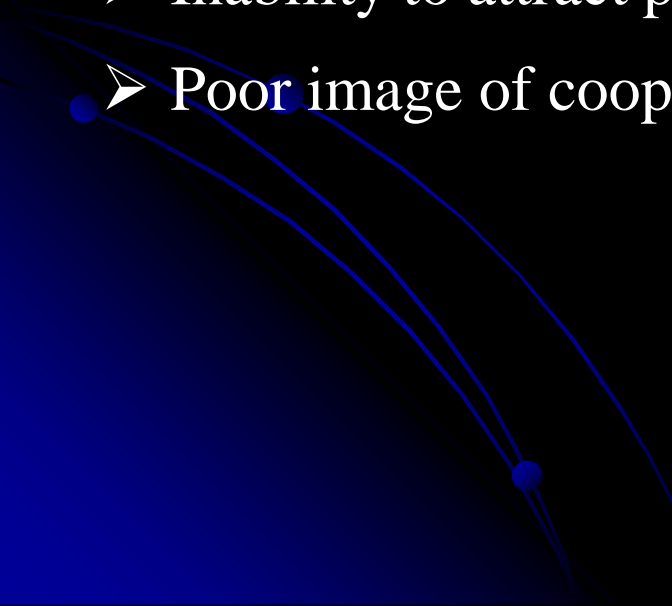
- Non-renewal of Certificate of Tax Exemption
- Non-issuance of CTE to new Labor Service Cooperatives
- Lack of recognition for cooperatives to engage in labor service
- Attempt to discourage registration of new cooperatives to engage in labor service



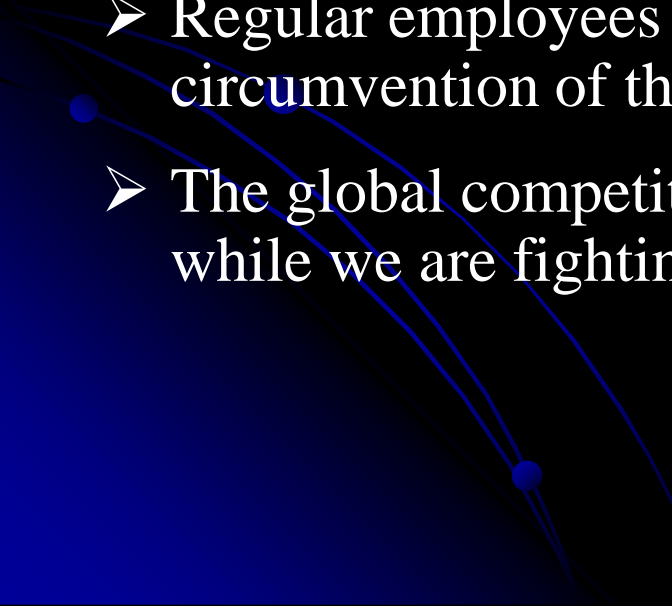
# Challenges from the Clients

- Now less tolerant and more demanding
- Equate employer-employee relationship with ownership of employee costs
- Expect labor service to do what it cannot do itself
- View labor service as a source of cost savings
- Beginning to charge extra cost to labor service
- Oblivious on their own violations
- Ignore the risks of their growing expectations
- Fail to differentiate labor service from other contractors and suppliers

# Challenges within Cooperative

- Identity crisis of member-owner-employee
  - Number game (viz-a-viz competency and stability)
  - Corruption and conflict of interest
  - Mismatch between coop capabilities and client expectations
  - Inability to attract professionals and talents
  - Poor image of cooperatives
- 

# Challenges in Competition

- Cooperatives are still engaging on price war – violating the 10% minimum admin fee
  - Private agencies are seeing cooperatives as unfair competitor
  - Labor unions are viewing cooperatives as a threat rather than a compliment to their cause
  - Regular employees are looking at cooperatives as a threat due to circumvention of their own companies
  - The global competition will make the Philippines uncompetitive while we are fighting among ourselves.
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# Cooperative Labor Service Direction

(where do we want to go)



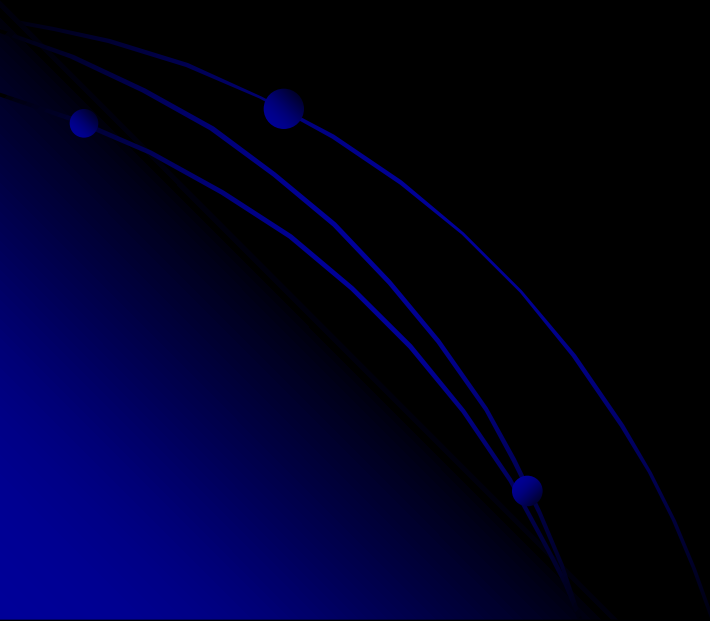
# Government Regulation

- ✓ To be recognized as legitimate player in labor service by all regulatory bodies
- ✓ To have aligned regulations among regulatory bodies and internal consistency within individual regulators
- ✓ Labor unions are viewing cooperatives as a threat rather than a compliment to their cause
- ✓ Regular employees are looking at cooperatives as a threat due to circumvention of their own companies
- ✓ While we are fighting, global competition will make the Philippines irrelevant.



# Taxation

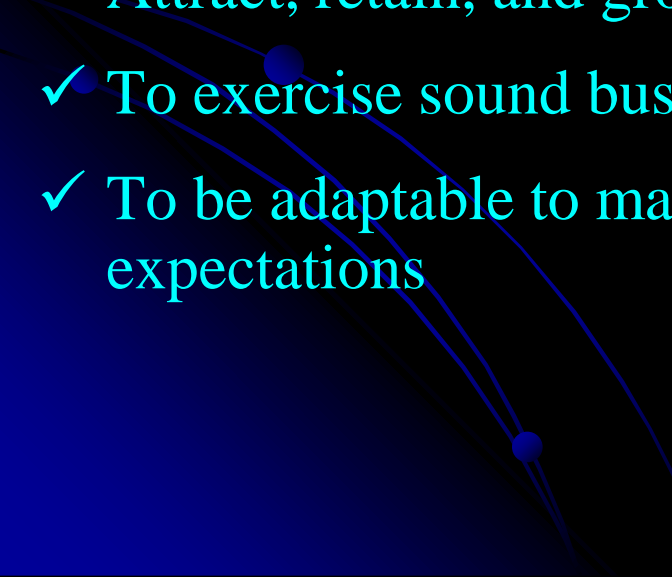
- ✓ To be recognized as tax contributor and source of government fund
- ✓ Not to be labeled as tax evaders
- ✓ Not to be seen as a vehicle to circumvent tax regulations



# As a Cooperative

- ✓ To be recognized as professional organization with expertise and capabilities on its field of business
- ✓ To develop reputation of stability and competency required by our business partners for long-term business relationship
- ✓ Remove the stigma of smallness and poor management capabilities
- ✓ To highlight internal unity within the organization that is true to its purpose
- ✓ To match the expectations of our clients as reliable, efficient and dependable business partners
- ✓ To develop reputation of being capable – to operate and manage main stream business

# As a Business Organization

- ✓ Establish complete set of expertise needed to deal with every aspect of our operation
  - ✓ Develop business system that is responsive to the needs of clients
  - ✓ Comply with accounting standards and improve financial control and discipline
  - ✓ Attract, retain, and grow talents within cooperative organizations
  - ✓ To exercise sound business judgment in dealing with clients
  - ✓ To be adaptable to market changes and ever-changing clients' expectations
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# Cooperative Labor Service Action Plan

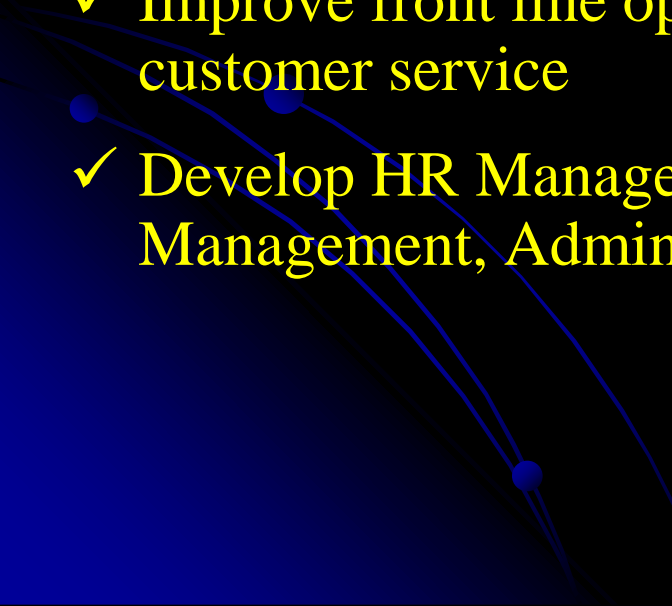
(how we will go there)



# Innovative Collaboration

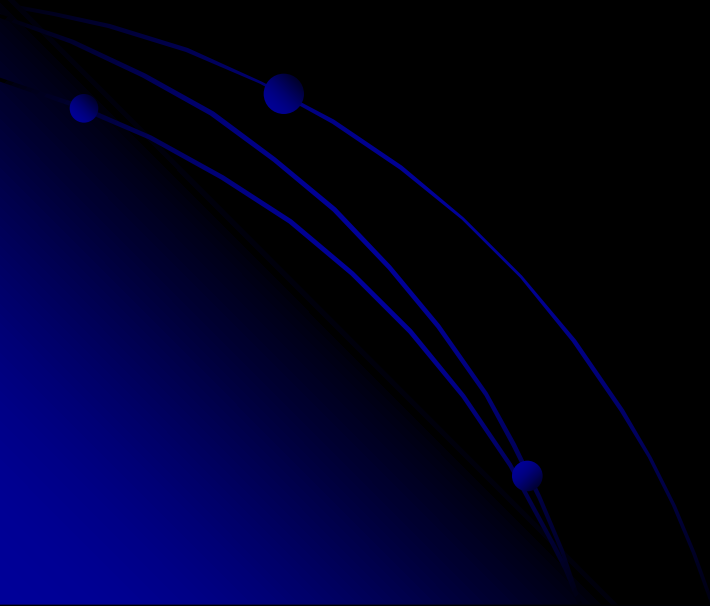
- ✓ Collaborate with CDA, DOLE and BIR to promote legal compliance and labor service development program
  - ✓ Collaborate with Labor Service Cooperatives to promote legal education and self-regulation
  - ✓ Collaborate with clients to develop business partnership and long-term relationship
  - ✓ Collaborate with competitors to establish common grounds of cooperation
- 

# Organizational Development

- ✓ Educate cooperatives on management system, business process and control system
  - ✓ Encourage proper sourcing, development, and retention of talents
  - ✓ Observe accounting standards, taxation management, and fund management
  - ✓ Improve front line operation, back end administration, and customer service
  - ✓ Develop HR Management, Operation Management, Financial Management, Admin Management
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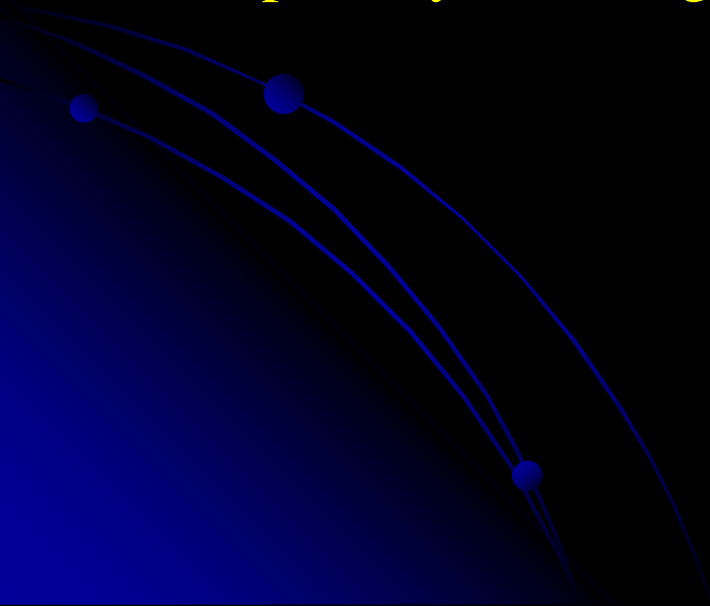
# Good Governance

- ✓ Sort out the identity crisis as employee, member and owner
- ✓ Capable, professional, and dedicated BOD
- ✓ Professional and competent management team
- ✓ Exercise the true spirit of cooperativism on wealth distribution
- ✓ Educated members and maturity in exercising different roles



# Business Competency

- ✓ Develop standard practices for labor service cooperatives
- ✓ Develop code of ethics among practitioners
- ✓ Develop standard of legal compliance
- ✓ Reporting system more relevant to current challenges
- ✓ Competency in managing mainstream labor service business

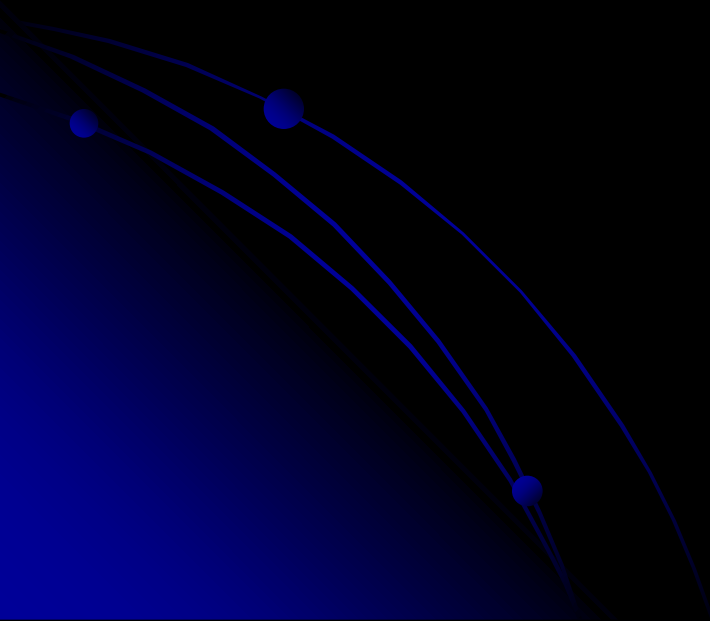




# Development of Cooperative Good Image

- ✓ Documentation of good and unacceptable practices
- ✓ Participation on research and studies (local and international)
- ✓ Counter bad publicity of competitors
- ✓ Strict monitoring, regulation and de-listing of violators
- ✓ Erase the image of parochial, small and sub-standard business practices
- ✓ Establishment of cooperative labor service data
- ✓ Legally compliant and honest to goodness labor service to clients

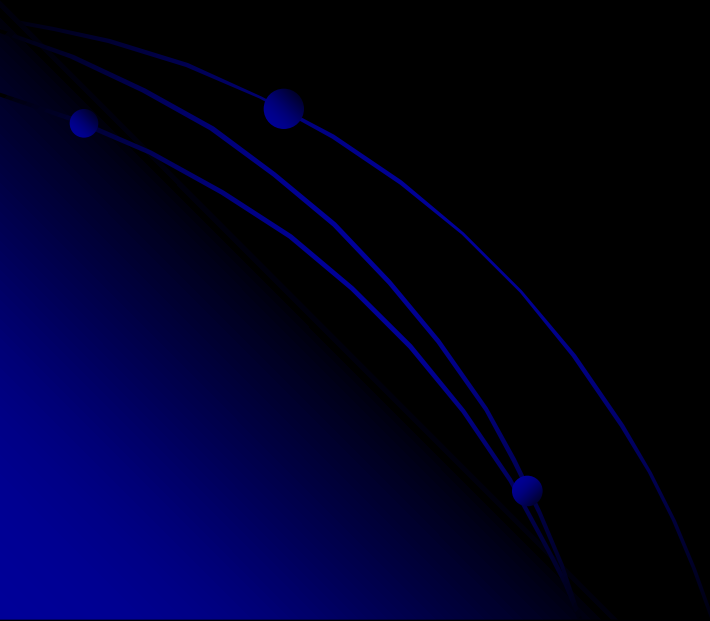
Thank you!





# Background

The principals are now  
less tolerant and more demanding.



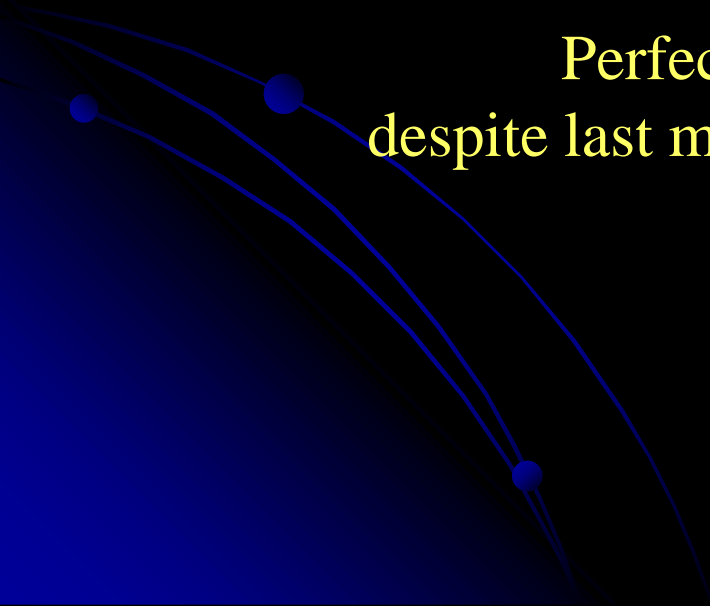
Companies  
equate the concept of  
employer-employee relationship  
to ownership of employee costs.

Charges on PPE, Uniforms, etc.

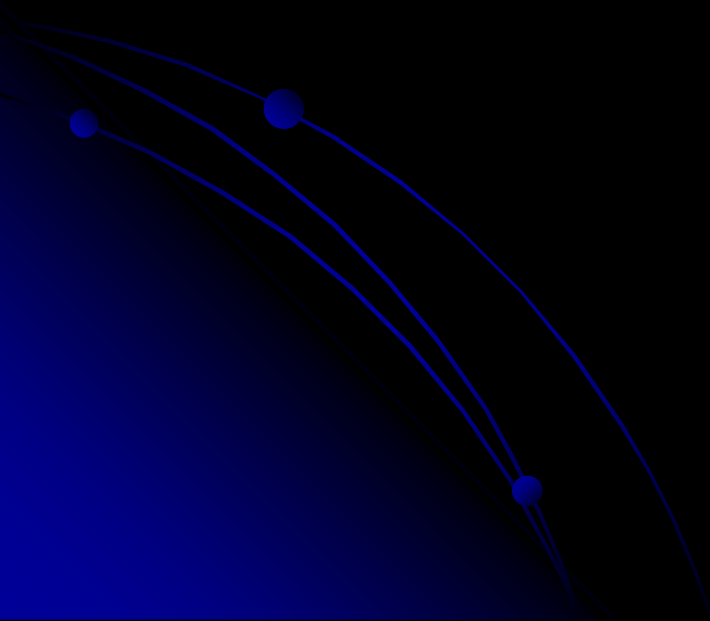


Companies  
expect labor service to do  
what it cannot do itself.

Perfect manpower complement  
despite last minute changes in production plan



Companies  
viewed labor service  
as a source of cost savings.



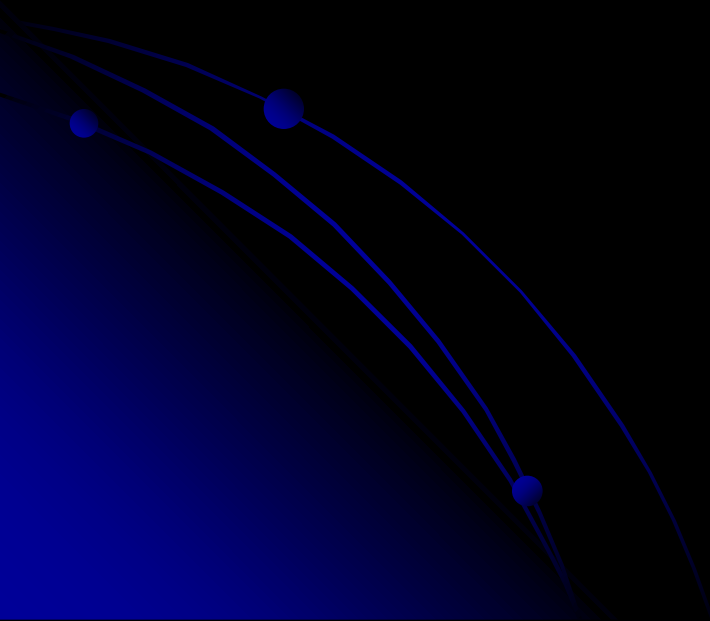
Companies  
are beginning to charge  
extra cost to labor service.



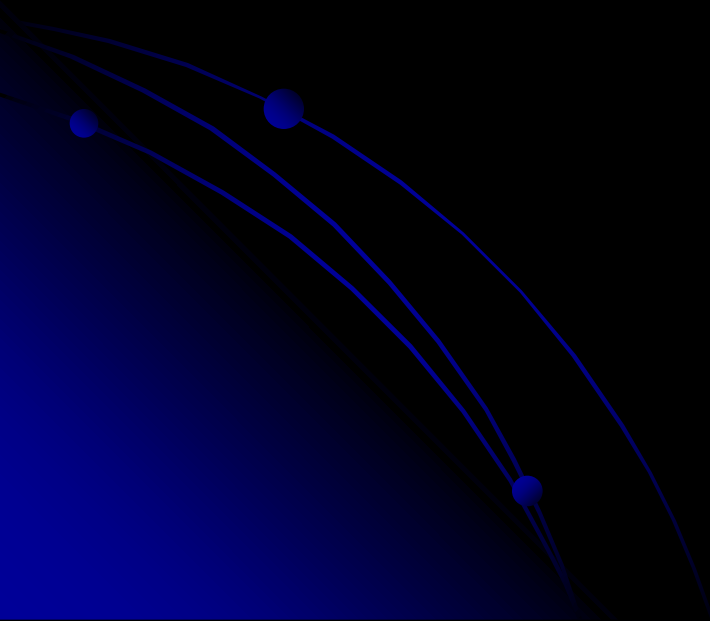
Employee overtime pay due to absences



Companies  
are oblivious on their own weaknesses  
in the job contracting arrangement.



Companies  
ignore the risks of their  
growing expectations.



Companies  
fail to differentiate  
labor service  
from other contractors and suppliers.

10% gross VS 30% net



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  - Asdf
  - Ds
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