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Memorandum Circular No. 2011-25
Series of 2011

SUBJECT : **POLICY GUIDELINES FOR JOB CONTRACTING/
SUB-CONTRACTING WORKERS SERVICE
COOPERATIVE AND MULTI-PURPOSE
COOPERATIVE WITH JOB CONTRACTING/ SUB-
CONTRACTING OPERATION**

DATE : December 9, 2011

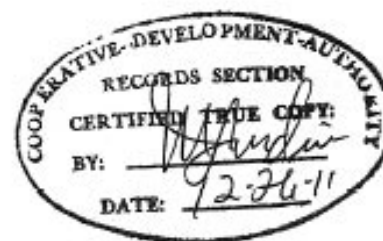
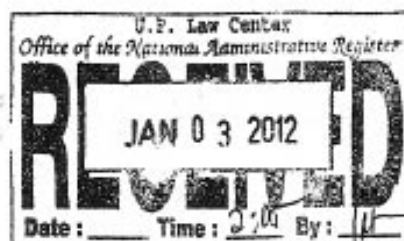
Pursuant to the powers vested to the Authority by Republic Act No. 6939 and the provision of Article 23 (u) of RA 9520, the Cooperative Development Authority hereby promulgates the following guidelines for Job Contracting/ Sub-contracting Workers Service Cooperatives.

Section 1. **Title.** These guidelines shall be known as "Policy Guidelines for Job Contracting/Sub-contracting Workers Service Cooperative and Multi-purpose Cooperative with Job Contracting/Sub-contracting Operation".

Section 2. **Policy.** It is the declared policy of the State to foster the creation and growth of cooperatives as practical vehicle for promoting self-reliance and harnessing people power towards the attainment of economic development and social justice.

Section 3. **Purpose.** These guidelines are issued for the creation, orderly registration and operation of Job Contracting/Sub-contracting Workers Service Cooperative and Multi-purpose Cooperative with job contracting/sub-contracting operation in compliance with the requirements as provided under RA 9520, its Implementing Rules and Regulations (IRR), relevant administrative issuances by the Cooperative Development Authority (CDA) and the Department of Labor and Employment (DOLE).

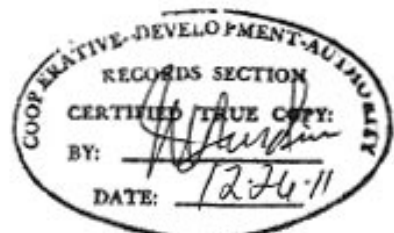
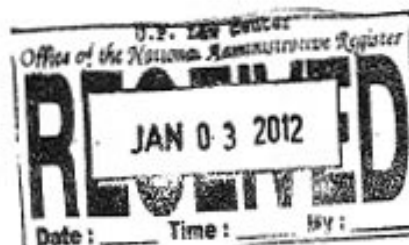
Section 4. **Recognition of Job Contracting/Sub-Contracting Workers Service Cooperative as another Type of Cooperative.** Pursuant to the right vested to the Authority by Article 23 (u) of RA 9520, Job Contracting/Sub-contracting Workers Service Cooperative is hereby recognized as another type of cooperative.



Section 5. **Coverage.** This circular shall specifically cover Job Contracting/ Sub-Contracting Workers Service Cooperative and the Multi-purpose Cooperative with job contracting/ sub-contracting service operation.

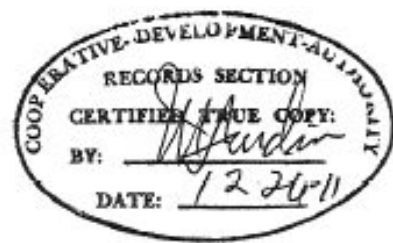
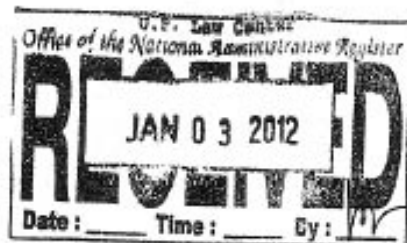
Section 6. **Definition of Terms.** As used in this circular, the following terms shall be defined as:

- (a) Area of Business Operation – shall refer to the place/area where the cooperative conducts its business activity/ies as provided in their articles of cooperation and bylaws;
- (b) Area of operation – shall refer to the place/area/association where the cooperative members come from as provided for in their articles of cooperation and bylaws;
- (c) Authority – refers to the Cooperative Development Authority;
- (d) Common Bond of Membership – shall refer to the condition where the members relate themselves to attain their common goals and objectives which may either be residential, occupational, associational, and institutional. For purposes of these guidelines, institutional basis of common bond of membership shall not be allowed due to conflict of interest;
- (e) Cooperative – for the purpose of these guidelines, refers to cooperative where one-line of business activities is job contracting and/or sub-contracting services;
- (f) Field of Membership – refers to the specific identification/limitation of the cooperative membership which shall be closed to specific line of skills or profession;
- (g) Job Contracting/Sub-Contracting Workers Service Cooperative – refers to a duly registered cooperative the members of which are natural persons and the business activity is providing job contracting/sub-contracting services to clients;
- (h) Multi-purpose Cooperative with Job Contracting/Sub-Contracting Operation – refers to the cooperative duly registered with the Authority as multi-purpose where one of the line of businesses in its operation is providing job contracting/sub-contracting services to clients;
- (i) Registration – is the operative act of the Authority granting juridical personality to a proposed cooperative and is evidenced by the Certificate of Registration;
- (j) Right to control – refers to the right reserved to the cooperative for whom the services of the member-workers are performed, to determine not only the end to be achieved, but also the manner and means to be used in reaching the end; and
- (k) Substantial Capital or Investment – refers to paid-up share capital and/or tools, equipment, implements, machineries and work premises actually and directly used by the cooperative in the performance or completion of the job, work or service contracted out.



Section 7. **Registration Guidelines.** The provision of Memorandum Circular No. 2011-15 will apply in the registration of Job Contracting/Sub-contracting Workers Service Cooperative with particular emphasis on the following conditions:

- 7.1 Capital Requirement – The minimum paid-up capital of the cooperative is One Million Pesos (Php 1,000,000.00). Provided further that the cooperative shall conform to the rules that at least 25% of the authorized capital had been subscribed and at least 25% of the subscribed had been paid-up, and that no individual members holds more than 10% of the subscribe capital.
- 7.2 Cooperative Name – The cooperative of this type should bear the name “Job Contracting/Sub-Contracting Workers Service Cooperative”. For multi-purpose cooperative where one-line of business is providing contracting/sub-contracting services, the word “Job Contracting/Sub-Contracting Multi-purpose Workers Service Cooperative” should be indicated in the name.
- 7.3 Area of Business Operation – The Articles of Cooperation of the cooperative shall include provisions defining the intended area of business operation. In case the proposed business operation includes areas beyond the jurisdiction of the Extension Office where the principal office is located, the location of each of the intended area shall be provided in the articles of cooperation. Provided however that after registration, the registering CDA Extension Office should send a formal communication containing basic information about the cooperative including copy of the complete registration documents to the affected Extension Office/s within thirty (30) days after the approval and release of registration documents to the proponent.
- 7.4 Area of Operation – In the initial registration, intended area of operation covering two (2) or more regional coverage shall not be allowed. Expansion to include other regions shall only be considered after two (2) years of operation and upon substantiation that no violation was committed during the period of its operation.
- 7.5 Common Bond and Field of Membership – The common bond of membership of the cooperative should either be residential, associational or occupational only. Provided, that the majority of the cooperating members of the cooperative and at the time it is operating shall be composed of member-workers to be deployed with specific line of skills, profession or occupation. Provided further that the definition/limitation of membership shall be properly identified in the bylaws of the cooperative. Provided finally that registration of



cooperative organized by an existing manpower agency or of business engage in same business activity shall never be allowed.

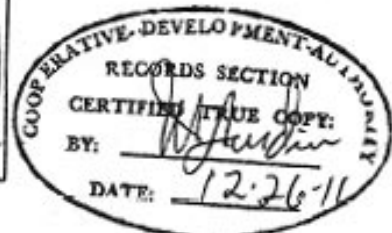
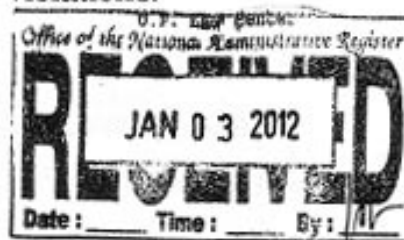
- 7.6 Signage – Within thirty (30) days after the issuance of certificate of registration and at the entire duration of its existence and operation, the cooperative are required to put up a signage at the place of its official address. The signage shall be printed on a white background of a panaflex/tarpaulin/billboard, with a minimum size of 30" x 60" and should at all times be posted outside the premise of the principal office, branch, and satellite office indicating at least the following information:

- 7.6.1 Name of the Cooperative
- 7.6.2 Address of the Cooperative
- 7.6.3 Registration Number of the Cooperative
- 7.6.4 The word "Registered with the Cooperative Development Authority - _____ Extension Office"
- 7.6.5 BIR/DOLE Registered

Section 8. Prohibition against Labor-only Contracting. Cooperative engaged in job contracting and/or sub-contracting operation is prohibited to enter into a labor-only contracting. For this purpose, labor-only contracting shall refer to an arrangement where the cooperative recruits, supplies or places workers to perform a job, work or service for a client, wherein any of the following elements are present:

- 8.1 The cooperative does not have substantial capital or investment which relates to the job, work or service to be performed and the employees-members recruited, supplied or placed by the cooperative are performing activities which are directly related to the main business of the client; or
- 8.2 The cooperative does not exercise the right to control over the performance of the work of the contractual member-worker.

Section 9. Inspection and Jurisdiction Over Deployed Member-Workers. All cooperatives with member-workers deployed to perform contracted tasks, jobs and/or works in other business entities maybe subjected to inquiry or inspection by the Authority to ensure their continuous compliance with the registration and other administrative requirements under cooperative code. Inspection reports shall be submitted to the CDA Regional Office. If violations are noted therein, the cooperative subject of inspection shall be duly notified thereof in writing and after conducting summary proceedings thereon shall be ordered to remedy such violations.



Provided, that the summary proceedings shall be completed within 60 days from the date of receipt of the inspection report. Provided further, that such order shall be immediately executory unless an appeal is validly filed with the CDA-Central Office, within ten (10) days from receipt of the said order. Decisions of the CDA-Central Office shall become final and executory within ten (10) days from receipt thereof. Non-compliance of a final order shall result to a dissolution and cancellation of the registration of a cooperative.

Notwithstanding the provisions above, the Secretary of Labor and Employment in the exercise of his visitorial powers under Art. 128 of the Labor Code of the Philippines may conduct routine inspections over job contracting/sub-contracting cooperatives, in coordination with the CDA, for the purpose of ensuring faithful compliance of labor standards and safety requirements of the deployed member-workers. Provided, that labor standards as defined by the Labor Code shall be deemed complied with if the compensation and benefits under peculiar nomenclatures validly adopted under a cooperative's bylaws and policies, duly paid to deployed member-workers are equivalent or superior in value than those in the Labor Code.

Provided, finally, that DOLE inspection procedures and appeals thereon, shall be governed by the various rules validly promulgated by the Secretary of Labor and Employment in accordance with law.

Section 10. Transitory Provisions. All cooperatives previously register with contracting/ sub-contracting activities/operations are given one (1) year to comply with Section 7.2, 7.4, 7.5, 7.6, 8, and 9 of these guidelines.

Section 11. Effectivity and Separability Clause. These guidelines shall take effect upon the approval of the CDA Board of Administrators and fifteen (15) days after filing with the Office of National Administrative Registry (ONAR). If any provision of these guidelines is declared null and void or unconstitutional, the other provisions not affected thereby shall continue to be in force and effect.

Approved by the Board of Administrators pursuant to Res. No. 410 s-2011 dated December 14, 2011.

For the Board of Administrators

By:



EMMANUEL M. SANTIAGUEL, Ph.D.

Chairman

