



Republic of the Philippines
OFFICE OF THE PRESIDENT
COOPERATIVE DEVELOPMENT AUTHORITY
 827 Aurora Blvd. Service Road, Brgy. Immaculate Conception,
 1111 Cubao, Quezon City, Philippines

2012
 International Year of
 Cooperatives
PHILIPPINES



Memorandum Circular No. 2012-12
 Series of 2012

SUBJECT : REVISED GUIDELINES IN THE REGISTRATION OF LABOR SERVICE AND WORKERS COOPERATIVES

DATE : July 18, 2012

Pursuant to the powers vested to CDA by Republic Act No. 6939 and RA 9520, the Cooperative Development Authority (CDA) hereby promulgates the following guidelines in the registration of labor and workers cooperatives.

Section 1. Title. These Guidelines shall be known as the *“Revised Guidelines in the Registration of Labor Service and Workers Cooperatives”*.

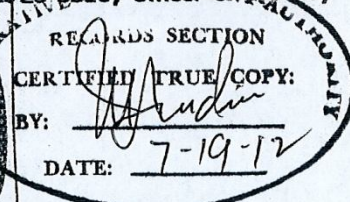
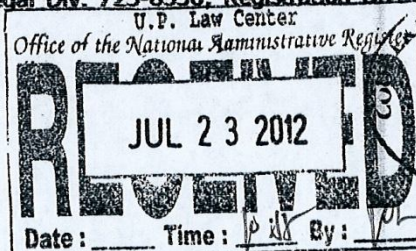
Section 2. Coverage. These Guidelines shall govern the registration of labor service and workers cooperatives as provided under Article 23(e) & (t) of RA 9520.

Section 3. Purpose. These Guidelines are issued to harmonize practices of cooperatives to conform to the requirements of law, rules and regulations and, prescribing a clear distinction of different terminologies used in relation thereto which gives the impression of violating labor relations, standards, and tax laws.

Section 4. Definition of Terms. The terms used in these Guidelines shall have operational definition, as follows:

1. **Contractor** – refers to any person or entity, including a cooperative, engaged in a legitimate contracting or subcontracting arrangements providing either, services, skilled workers, temporary workers, or a combination of services to a principal under a Service Agreement.
2. **Contracting/sub-contracting** – refers to an arrangement whereby a principal agrees to put out or farm out with a contractor the performance or completion of a specific job, work or service within a definite or predetermined period, regardless of whether such job, work or service is to be performed or completed within or outside the premises of the principal.

Office of the Chairman 721-5325 Telefax 725-5324; Admin Office 725-2107; Office of the Executive Director 725-6450; Planning Div. 726-2814; MIS 725-0750; Supplies/Cash/Records 723-8306; Finance Div. 721-5328; Office of the Auditor 721-5329; Coop Research Info & Training Div. 725-6604; Coop Project & Devt. Assistance Div. 727-6735; Legal Div. 725-8536; Registration Div. 725-5510; Office of the Day 725-3764-www.cda.gov.ph



3. *Labor service* – refers to a service cooperative engaged in providing service to principal employer.
4. *Self-employed* – refers to a person who has his/her own personal occupational capacity put to productive use by applying his/her own capital raised by himself or together with other self-employed persons pursuing related occupational interest.
5. *Skilled worker* – refers to a worker possessing technical knowledge and expertise to accomplish a work.
6. *Workers Cooperative* – refers to a cooperative organized by workers, including self-employed who are owners and members of the enterprise.

Section 5. **Bond of Membership**

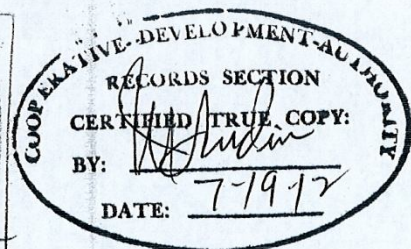
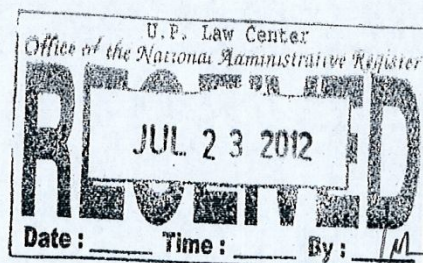
- a) *Labor Service Cooperative* – the bond of membership shall only be *residential*.
- b) *Workers Cooperative* - the bond of membership shall only be *residential and/or occupational*.

Section 6. **Distinction and Authorized Activities**

- a) *Labor Service Cooperative* – the cooperative is engaged exclusively in job contracting and sub-contracting services to third party.
- b) *Workers Cooperative* - this principally consists of providing employment and business opportunities to its members and manages it in accordance with the cooperative principles. It cannot engage in contracting or sub-contracting activity.

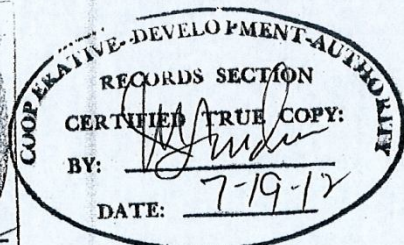
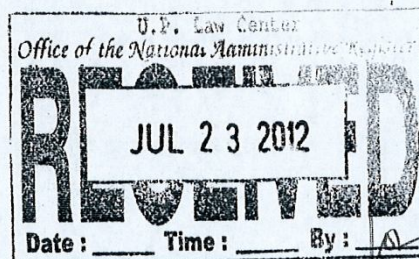
Section 7. **Prohibited Activities.** It shall be prohibited for labor service and workers cooperatives to engage in the following activities:

- A. *Labor-only contracting.* For this purpose, labor only contracting shall refer to an arrangement where:
 - i. The cooperative does not have substantial capital or investments in the form of tools, equipment, machineries, work premises, among others, and the employee recruited and placed are performing activities which are usually necessary or desirable to the operation of the company, or directly related to the main business of the principal within a definite or predetermined period, regardless of whether such job, work or service is to be performed or completed within or outside the premises of the principal; or
 - ii. The cooperative does not exercise the right to control over the performance of the work of the employee.



B. Other Prohibitions. Notwithstanding Section 7.1 of these Circular, the following activities are hereby declared prohibited, for being contrary to law or public policy:

1. Contracting out of jobs, work or services when not done in good faith and not justified by the exigencies of the business such as the following:
 - i. Contracting out of jobs, works or services when the same results in the termination or reduction of regular employees and reduction of work hours or reduction or splitting of the bargaining unit.
 - ii. Contracting out of work with a "Cabo".
 - iii. Taking undue advantage of the economic situation or lack of bargaining strength of the contractor's employees, or undermining their security of tenure or basic rights, or circumventing the provisions of regular employment, in any of the following instances:
 - a) Requiring them to perform functions which are currently being performed by the regular employees of the principal; and
 - b) Requiring them to sign, as a precondition to employment or continued employment, an antedated resignation letter; a blank payroll; a waiver of labor standards including minimum wages and social or welfare benefits; or a quitclaim releasing the principal, contractor or from any liability as to payment of future claims.
 - iv. Contracting out of a job, work or service through an in-house agency.
 - v. Contracting out of a job, work or service that is necessary or desirable or directly related to the business or operation of the principal by reason of a strike or lockout whether actual or imminent.
 - vi. Contracting out of a job, work or service being performed by union members when such will interfere with restrain or coerce employees in the exercise of their rights to self-organization as provide in Art. 248 (c) of the Labor Code, as amended.
 - vii. Repeated hiring of employees under an employment contract of short duration or under a Service Agreement of short duration with the same or different contractors, which circumvents the Labor Code provisions on Security of Tenure.

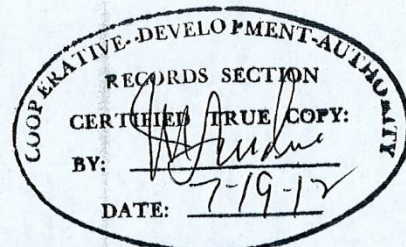
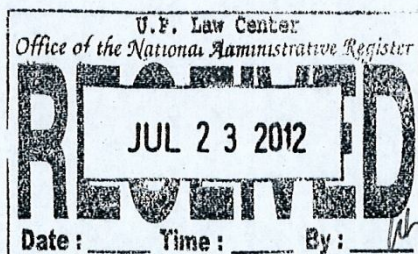


- viii. Requiring employees under a subcontracting arrangement to sign a contract fixing the period of employment to a term shorter than the term of the Service Agreement, unless the contract is divisible into phases for which substantially different skills are required and this is made known to the employee at time of engagement.
- ix. Refusal to provide a copy of the Service Agreement and the employment contract between the contractor and employees deployed to work in the bargaining unit of the principal's certified bargaining agent to the sole and exclusive bargaining agent (SEBA).

Section 8. **Jurisdiction** – In accordance with Section 6 of MC No. 2012-08, all applications for registration under these Guidelines shall be directly filed with the Central Office (CO). However, this shall not in any way prejudice the future delegation of the registration of this type of cooperative to the Extension/Regional offices of the Authority.

Section 9. Procedures

1. Technical assistance. The proposed cooperative may inquire from the Extension/Regional office the list of requirements, and any CDS may assist in explaining the procedures and compliance hereto.
2. Submission of required documents in accordance with MC 2011-15 on Revised Guidelines in the Registration of Primary Cooperatives.
3. Validation and Verification of Submitted Documents. In accordance with Section 9 of MC No. 2012-08, applications for registration of labor service and workers cooperative covered by these guidelines shall be subject to verification and validation prior to registration.
 - i. It shall be conducted by the Registration Section of the concerned Extension Office upon order from the Central Office Registration Division within the period provided for in the Order which shall be sent through electronic or other means of communication.
 - ii. Report of Verification and Validation shall be prepared and submitted to the Central Office Registration Division through electronic or other means of communication within five (5) days after the conduct of such verification and validation.
 - iii. Original copy of the validation/verification report must likewise be submitted.



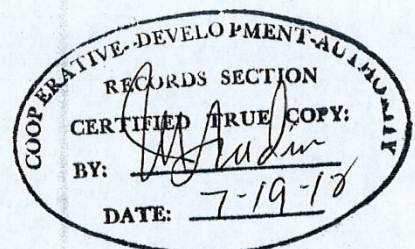
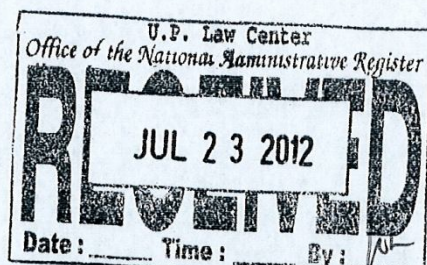
Section 10. **Number of members required for Registration.** Fifteen (15) or more natural persons who are Filipino citizens, having a common bond of membership and are residing or working in the intended area of operation.

Section 11. **Capital Requirements.** (a) All primary cooperatives shall be organized with share capital contribution from members. The authorized share capital of a cooperative shall be provided for in its Articles of Cooperation. At least twenty five percent (25%) of the authorized share capital shall be subscribed by the members and at least twenty five percent (25%) of the subscribed share capital shall be paid by the members prior to registration.

(b) The paid up capitalization requirement for primary cooperatives shall not be less than Fifteen Thousand Pesos (P15,000.00).

Section 12. **Registration Requirements.** The following documents shall be submitted to the Authority in Four (4) copies except for item (1) below:

1. Original copy of Cooperative Name Reservation Notice (CNRN);
2. Economic Survey;
3. Articles of Cooperation and the approved By-laws;
4. All original;
 - 3.1 The Articles of Cooperation shall be signed by all the cooperators on each and every page; and
 - 3.2 The By-Laws shall be signed all the members on the adoption page.
5. Treasurer's Affidavit;
6. Surety Bonds of accountable officers;
7. Certificate of Pre-Membership Seminar (PMES) signed by the cooperative Interim Chairman, as validated by the Authority;
8. Undertaking to change name;
9. Undertaking to comply with the auditing and accounting standards prescribed by the Authority;
10. Undertaking to comply with other requirements prescribed by the other regulatory agency, when applicable;
11. Tax Identification Number (TIN) of all cooperators; and
12. Registration fee.



Section 13. **Cooperative Name and Prohibition.** (a) The use of “*manpower*” in the name of labor and workers cooperatives shall not be allowed. In no case shall associate members in labor service or workers cooperative be more than fifty percent (50%) of all the members. Likewise, no proposed labor service or workers cooperative shall be registered if the area of operation covers nationwide.

(b) No cooperative name shall be allowed by the Authority if the proposed name is *identical* or *deceptively* or *confusingly similar* to that of any existing cooperative, contrary to public policy, moral and existing laws.

The use of the words “development” and “integrated” in the cooperative name shall be discouraged.

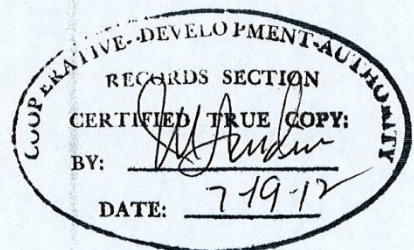
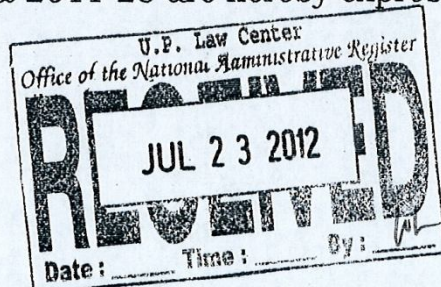
The use of “Incorporated”, “corporation”, “company”, “incorporation”, partnership, or other similar connotation and abbreviation shall not be allowed. In addition, the use of the word “federation” and “union” in the name of the proposed primary cooperative is likewise prohibited except if it is part of the registered name of association or institution where the members of the proposed cooperative come from.

Section 14. **Compliance with Other Laws** – Labor service and workers cooperatives are required to comply with the requirement of labor laws and its implementing rules and regulations.

Section 15. **Transitory Provision** – Existing cooperative engaged in labor service, manpower service, and workers service registered with the Authority previous to the issuance of this Circular shall strictly comply with the requirements prescribed herein. The necessary amendment to registered objectives and purposes including membership qualification should be modified accordingly following the process of amendment within two (2) years from approval of this Circular.

Section 16. **Monitoring and Inspection.** The Extension Office (EO) concerned shall monitor and conduct inspection of the said Labor Service and Workers Cooperative to ensure compliance with these Guidelines, laws, rules and regulations, issuances of the Authority and other appropriate government agencies.

Section 17. **Repealing Clause.** Any provisions of previous issuances of the Authority which are inconsistent with this Guideline are hereby repealed or modified accordingly. However, Memorandum Circulars 2011-24 & 2011-25 are hereby expressly repealed.



Section 18. **Separability Clause.** If any provision of this guideline is declared null and void or unconstitutional, the other provisions not affected thereby shall continue to be in force and effect.

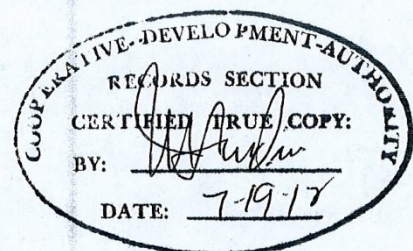
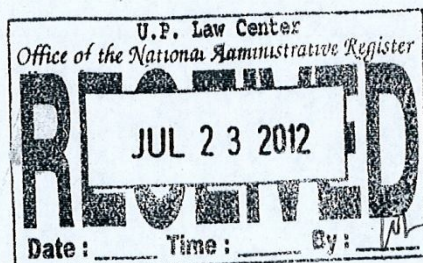
Section 19. **Effectivity.** This guideline shall take effect upon the approval of the Board of Administrators and fifteen (15) days after filing with the Office of National Administrative Registry (ONAR).

Approved pursuant to BOA Resolution No. 190, S-2012 dated July 13, 2012.

For the Board of Administrators

By:


EMMANUEL M. SANTIAGUEL, Ph.D
Chairman





**EXCERPTS FROM THE
MINUTES OF REGULAR MEETING
OF THE CDA BOARD OF ADMINISTRATORS HELD ON JULY 13, 2012
6/F CDA Board Room 827 Aurora Boulevard, Bgy. Immaculate Conception, Cubao, Q.C.**

PRESENT:

- | | |
|------------------------------------|------------------------------|
| Hon. Emmanuel M. Santiaguél, Ph.D. | - Chairman/Presiding Officer |
| Hon. Felicitas S. Acosido, Ph. D. | - Administrator |
| Hon. Nelson B. Alindogan | - Administrator |
| Hon. Paisalin P.D. Tago | - Administrator |

ALSO PRESENT:

- | | |
|--------------------------|-----------------------------|
| Dir. Orlando R. Ravanera | - Acting Executive Director |
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RESOLUTION NO. 190, s-2012

Upon motion of Adm. Felicitas S. Acosido duly seconded by Adm. Nelson B. Alindogan, be it RESOLVED as it is hereby RESOLVED to *approve the REVISED GUIDELINES IN THE REGISTRATION OF LABOR SERVICE AND WORKERS COOPERATIVES.*

APPROVED.

This is to certify that the foregoing is true and correct from the minutes of the CDA Board of Administrators' Regular Meeting

Mary Grace I. Cinco
MARY GRACE I. CINCO
Acting Board Secretary IV

WITNESSED:

Emmanuel M. Santiaguél
EMMANUEL M. SANTIAGUEL, Ph.D.
Chairman

