

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF LABOR AND EMPLOYMENT
MANILA

DEPARTMENT ORDER NO. 3
SERIES OF 2001

**REVOKING DEPARTMENT ORDER NO. 10, SERIES OF 1997,
AND CONTINUING TO PROHIBIT LABOR-ONLY CONTRACTING**

Pursuant to Articles 5 and 106 of the Labor Code, as amended, the following are hereby issued:

Section 1. Revocation of Department Order No. 10. Department Order No. 10, Series of 1997, otherwise known as the rules implementing Article 106 to 109 of Book III of the Labor Code, is hereby revoked effective immediately.

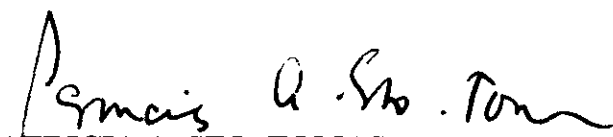
Section 2. Prohibition against labor-only contracting. Labor-only contracting is hereby declared prohibited. There is labor-only contracting where the contractor or subcontractor merely recruits, supplies or places workers to perform a job, work or service for a principal, and the following elements are present:

- a) The contractor or subcontractor does not have substantial capital or investment to actually perform the job, work or service under its own account and responsibility; and
- b) The employees recruited, supplied or placed by such contractor or subcontractor are performing activities which are directly related to the main business of the principal.

Section 3. Non-impairment of existing contracts; Non-diminution of benefits. Subject to the provisions of Articles 106 to 109 of the Labor Code, as amended, the applicable provisions of the Civil Code and existing jurisprudence, nothing herein shall impair the rights or diminish the benefits being enjoyed by parties to existing contracting or subcontracting arrangements.

Section 4. Effectivity. This Order shall be effective fifteen days after publication in two newspapers of general circulation until a new set of guidelines implementing Articles 106 to 109 of the Labor Code shall have been promulgated. Such new guidelines shall be formulated upon prior consultations with all sectors concerned, particularly the Tripartite Industrial Peace Council (TIPC) established under Executive Order No. 49, Series of 1998.

Manila, Philippines, 08 May 2001.


PATRICIA A. STO. TOMAS
Secretary