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Republic of the Philippines  
**DEPARTMENT OF LABOR AND EMPLOYMENT**  
Intramuros, Manila



Certificate No.: AJA15-0048B

**DEPARTMENT CIRCULAR NO. 01**  
Series of 2017

Clarifying the Applicability  
of Department Order No. 174, Series of 2017

DEPARTMENT OF LABOR AND EMPLOYMENT	
Administrative Service Central Records Section	
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*I. Purpose*

This Circular is issued to clarify the applicability/non-applicability of Department Order No. 174, series of 2017, or the new Rules Implementing Articles 106 to 109 of the Labor Code of the Philippines, as amended, to persons, establishments or companies in specific industries based on the nature of business and contractual relationship consistent with other applicable laws, rules and regulations.

*II. Non-Applicability of D.O. No. 174, Series of 2017, to BPO/LPO/KPO*

D.O. 174, Series of 2017, applies only to trilateral relationship which characterizes contracting or subcontracting arrangement. It does not contemplate to cover information technology-enabled services involving an entire or specific business process such as:

- Business Process Outsourcing
- Knowledge Process Outsourcing
- Legal Process Outsourcing
- IT Infrastructure Outsourcing
- Application Development
- Hardware and/or Software Support
- Medical Transcription
- Animation Services
- Back Office Operations/Support

*III. Applicability/Non-Applicability of D.O. No. 174, Series of 2017, to Construction Industry; Coordination with PCAB-CIAP*

Contracting or subcontracting arrangements in the construction industry under the licensing coverage of the Philippine Contractors Accreditation Board (PCAB) shall be governed by Department Order No. 19, Series of 1993 (Guidelines Governing the Employment of Workers in the Construction Industry); Department Order No. 13, Series of 1998 (Guidelines Governing the Occupational Safety and Health in the Construction Industry); and DOLE-DPWH-DILG-DTI and PCAB Memorandum of Agreement-Joint Administrative Order No. 1, Series of 2011 on coordination and harmonization of policies and programs on occupational safety and health in the construction industry.

Section 2, Subparagraph 2.5 of Department Order No. 19, Series of 1993, provides:

*"Contracting and subcontracting. – The practice of contracting out certain phases of a construction project is recognized by law, particularly wage legislations and wage orders, and by industry practices. The Labor Code and its Implementing Regulations allow the contracting out of jobs under certain conditions. Where such job contracting is permissible, the construction workers are generally considered as employees of the contractor or subcontractor, as the case may be, subject to Article 109 of the Labor Code, as amended."*

Pursuant to Presidential Decree No. 1746, Series of 1980, licensing and the exercise of regulatory powers over the construction industry is lodged with the Philippine Contractors Accreditation Board (PCAB) of the Construction Industry Authority of the Philippines (CIAP).

The PCAB registers all types of contractors in the construction industry and regulates the same by ensuring compliance with DOLE issuances. Thus, the DOLE through its Regional Offices shall not require contractors licensed by PCAB to register under D.O. 174, Series of 2017. However, findings of violation/s on labor standards and occupational health and safety standards shall be coordinated with PCAB for its appropriate action, including possible cancellation/suspension of the contractor's license.

Contractors licensed by PCAB which are engaged in other contracting or subcontracting arrangement in addition to, or other than construction activities shall be required to register under Department Order No. 174, Series of 2017.

#### *IV. Applicability/Non-Applicability of D.O. No. 174, Series of 2017, to Private Security Agencies*

Except for the registration requirements as provided for in D.O. No. 174, Series of 2017, contracting or subcontracting arrangements in the private security industry shall be governed by Department Order No. 150, Series of 2016 (*Revised Guidelines Governing the Employment and Working Conditions of Security Guards and other Private Security Personnel in the Private Security Industry*).

#### *V. Non-Applicability of D.O. No.174, Series of 2017, to Other Contractual Relationships*

D.O. No. 174, Series of 2017, applies only to trilateral relationship which characterizes contracting or subcontracting arrangement. It does not contemplate to cover contractual relationships such as in contract of sale or purchase, contract of lease, contract of carriage, contract growing/growership agreement, toll manufacturing, contract of management, operation and

maintenance and such other contracts governed by the Civil Code of the Philippines and other special laws.

D.O. No. 174, Series of 2017 does not also cover the contracting out of job or work to a professional, or individual with unique skills and talents who himself or herself performs the job or work for the principal.

*VI. Effectivity*

This Circular shall take effect upon the effectivity of Department Order No. 174, Series of 2017.

Manila, Philippines. . 09 JUNE 2017

  
**SILVESTRE H. BELLO III**  
*Secretary*

Dept. of Labor & Employment  
Office of the Secretary



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