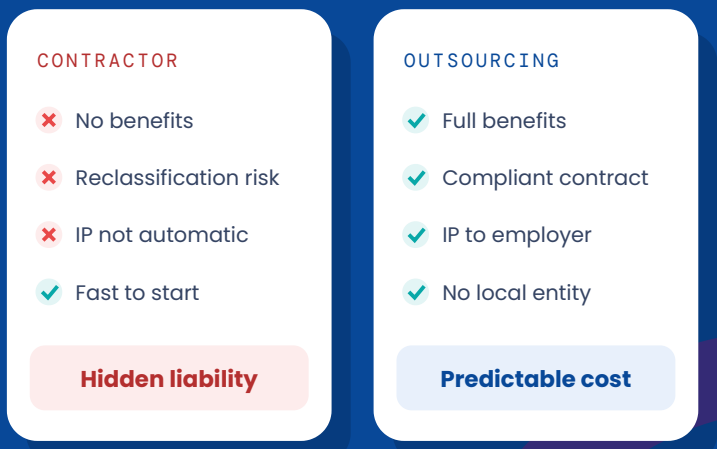
Remotify

2026 WHITEPAPER

Outsourcing to the Philippines vs. Contractors

Compliance, risk, team management and total cost compared, so you can choose the right way to build your Philippine team.



YOUR OUTSOURCING & HR PARTNER IN THE PHILIPPINES

UPDATED NOVEMBER 2026 · REMOTIFY.COM

ABOUT THIS WHITEPAPER

Fast and flexible, or compliant and built to last? The choice is not just about payroll

For global employers, the question isn't whether to work with talent in the Philippines. It's how. Many start with independent contractors. As teams grow, many move to outsourcing, working with a Philippine partner that recruits, employs, pays and supports their team while they direct the work. Get the model right and you gain skilled teams, predictable costs and people who stay. Get it wrong and you can face back pay, claims and disrupted operations.

This whitepaper is published by Remotify, an outsourcing and HR partner in the Philippines that can also act as the local employer for its clients' teams. It covers both models fairly, including when contractors are the right choice.

Who it's for

Founders, HR, finance and legal teams outside the Philippines who work with Filipino contractors today, or are deciding how to build a team there.

What it covers

How Philippine law tells contractors from employees, what misclassification costs, how contractor hiring and outsourcing work, where an Employer of Record fits, a side-by-side comparison, true costs and a decision framework.

How to use it

Run the Misclassification Risk Checklist on page 11 for each person you engage, then use the comparison and decision framework to choose a model.

What's inside

- The legal tests Philippine courts and DOLE apply
- What reclassification can cost, with worked numbers
- A side-by-side comparison of both models
- The true monthly cost of each, using 2026 rates
- Risks foreign employers often overlook

INFORMATION CURRENT AS OF NOVEMBER 2026

Philippine rules and rates change, sometimes at short notice. This whitepaper is general information, not legal or tax advice. Check current requirements with the relevant agency or a qualified adviser before making employment decisions. Every rate and rule is referenced in **Sources & References** at the end.

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PART ONE

Understanding the risk

Why the choice matters, and how Philippine law decides whether someone is really a contractor or an employee.

01 Why this decision matters

02 Contractor vs. employee in Philippine law

Why this decision matters

Choosing between contractors and outsourcing is a compliance decision, not just a payroll one. It affects your liabilities, how your team is managed and supported, and how you grow.

1.9M

IT-BPM WORKERS, 2025

Plus many more freelancing for overseas companies.

IBPAP, Jan 2026 · industry estimate

7 in 10

REMOTE WORKERS WITH NO BENEFITS BEYOND SALARY

Most remote arrangements are informal.

Remotify research, 2026

78%

OPEN TO EMPLOYMENT THROUGH AN EMPLOYER OF RECORD

Formal employment is what talent wants.

Remotify research, 2026

Compliance risk and misclassification

In the Philippines, a contract's label doesn't decide whether someone is an employee. How the relationship works does. Courts and the Department of Labor and Employment (DOLE) apply the **four-fold test**: who selected the worker, who pays them, who can dismiss them and, above all, **who controls how the work is done**. Where that's unclear, courts also look at **economic dependence**: does the worker rely on you for their living?

If you engage people *through* a third-party contractor or agency, **DOLE Department Order 174-17** also applies. Where that contractor only supplies labour, the law treats you as the employer.

> CLOSER SCRUTINY AHEAD
>
> In May 2026, newly appointed Labor Secretary Francis Tolentino said DOLE would review DO 174 and contractualization practices. Expect closer attention to arrangements that look like employment.

What misclassification can cost

If a "contractor" is found to be an employee, the liabilities go back to the start of the relationship.

What happens

- **You're deemed the employer**, and workers may be made regular employees
- **You owe benefits retroactively:** 13th-month pay, holiday and overtime pay, service incentive leave
- **Unremitted contributions** to SSS, PhilHealth and Pag-IBIG, with penalties (SSS charges 2% a month)
- **Ending the arrangement** can lead to illegal-dismissal awards: reinstatement or separation pay, full back wages and possible damages
- **Tax exposure:** with a Philippine entity, unwithheld tax attracts a 25% surcharge plus 12% annual interest. Without one, ask an adviser about *permanent establishment* risk.

ILLUSTRATIVE EXAMPLE

Ten full-time "contractors" on **₱40,000 a month** for **two years**, later found to be employees. Per worker:

13th-month pay (2 × ₱40,000)	₱80,000
Employer SSS, PhilHealth, Pag-IBIG (₱4,730 × 24)	₱113,520
Per worker	₱193,520
For ten workers	**≈ ₱1.94M**

Before late-payment penalties, holiday and overtime pay, leave and any dismissal claims. Calculated from 2026 rates.

PERMANENT ESTABLISHMENT

Many Philippine tax treaties treat services performed in the Philippines for a set period as creating a taxable presence. If your Philippine team does core work for you, take tax advice on your home country's treaty.

Retention, audits and investor scrutiny

The costs of the contractor model aren't only legal. They show up in turnover and in due diligence too.

Retention and workforce stability

Contractors aren't entitled to paid leave, 13th-month pay or employer-paid contributions. When a stable role with benefits comes along, many take it. For long-term teams, that churn creates hidden costs in recruitment, onboarding and lost knowledge.

77%

of Filipino remote workers want a local employment record, even while working remotely

45%

don't file taxes consistently, often because freelance income is irregular

~40%

have struggled to prove income for loans, credit cards or government benefits

Team members employed through an outsourcing partner that acts as their Employer of Record get statutory benefits, government protection and a clean employment record. For companies growing beyond a handful of people, that stability usually outweighs the short-term savings of contracts.

Audit and investor scrutiny

Contractor-heavy teams often come up in due diligence, because buyers and auditors treat possible back pay as an unrecorded liability. Cleaning up the structure before a funding round or sale is far easier than explaining it during one.

WHERE REMOTIFY FITS

Remotify is an outsourcing and HR partner in the Philippines that can also act as your team's local employer. It can move existing contractors onto compliant employment, enrolled in SSS, PhilHealth and Pag-IBIG and supported by local HR, while you keep managing the work.

Remotify Remote Work Report: Philippines 2026 (n = 1,642; fieldwork Mar-Apr 2026).

02 PHILIPPINE LAW

Contractor vs. employee in Philippine law

Regulators look at the substance of the relationship, not the label on the contract. A signed contractor agreement won't protect you if the day-to-day reality looks like employment.

1. The four-fold test

1	2	3	4
Selection	**Wages**	**Dismissal**	**Control**
Who chose and engaged the worker?	Who pays them, and how?	Who can end the relationship?	Who controls *how* the work is done, not just the result?

Control is decisive. In practice, regulators look at signals such as: set hours and mandatory meetings, daily supervision, company-issued laptops and accounts, a fixed monthly fee, a place on your org chart, a company email address and inclusion in performance reviews.

2. Is the work necessary or desirable to your business?

Under the Labor Code, work that is usually necessary or desirable to the business points toward regular employment. Developers building your product or support staff answering your customers look more like employees than independent specialists.

3. The economic dependence test

Courts use this alongside the four-fold test. A true independent contractor has other clients, sets their own hours, supplies their own tools and bears business risk. Someone who depends on you for their living looks like an employee.

Agency rules, tax and the mistakes that trigger reclassification

DOLE Department Order 174-17: labour-only contracting

DO 174-17 governs **three-party arrangements**: you (the principal), a contractor or agency, and the contractor's workers. The arrangement is labour-only contracting, and you are treated as the employer, when the contractor:

- lacks substantial capital or investment (tools, equipment, premises) **and** its workers do work directly related to your business; **or**
- doesn't actually control how its workers do the job.

If you hire individual freelancers directly, the four-fold and economic dependence tests on the previous page are what apply.

The tax view

The Bureau of Internal Revenue (BIR) distinguishes **compensation** (wages, subject to withholding) from **business income** (paid to a self-employed contractor). If you have a Philippine entity and pay "contractors" who are really employees, unwithheld tax can be assessed with a 25% surcharge and 12% annual interest. If you don't have one, the bigger question is usually whether your Philippine team creates a taxable presence. Take advice.

Common mistakes that trigger reclassification

Mistake	Why it's a red flag
Paying a fixed monthly fee indefinitely	Looks like a salary, not a project payment
Requiring fixed hours or company time-tracking	Shows control over how and when work is done
Supplying company equipment with usage policies	The worker isn't investing in their own business
Discouraging other clients	Implicit exclusivity points to economic dependence
Including them in performance reviews and mandatory training	Treats them as part of your workforce

Each one adds risk on its own. Together, they make the case for employment.

02 PHILIPPINE LAW

If you use contractors, document their independence

The burden of proving that someone is a true independent contractor falls on you. If you want to keep a contractor relationship, build the evidence as you go.

Evidence that supports independence

- [ ] Invoices to other clients, showing they serve multiple businesses
- [ ] Project-based statements of work with deliverables and end dates
- [ ] BIR-registered **invoices** from the contractor (invoices replaced official receipts in 2024)
- [ ] Their own tools, business registration or public business presence
- [ ] Records showing they set their own hours and methods
- [ ] Per-project or per-output payments, not a fixed monthly fee
- [ ] Freedom to subcontract or bring in assistants

Liabilities if the relationship is reclassified

- Back wages, including overtime and holiday pay where applicable
- 13th-month pay for every year worked (one-twelfth of basic annual salary)
- SSS, PhilHealth and Pag-IBIG contributions, with late-payment penalties
- Illegal-dismissal remedies if you ended the arrangement: reinstatement or separation pay, full back wages, possible damages
- Unwithheld tax with surcharge and interest, where applicable
- Reputational and audit exposure

RULE OF THUMB

If several of these pieces of evidence are missing, either redesign the engagement so it really is independent, or convert the role to employment.

WHO OWNS THE WORK?

Under the Philippine IP Code, work an employee creates as part of their regular duties belongs to the employer. Copyright in commissioned work stays with the creator unless the contract assigns it. Contractor agreements need an explicit IP assignment clause.

02 TOOLKIT

Misclassification Risk Checklist

Run this for every person you engage as a contractor, before you start and at every renewal.

Does this "contractor" look like an employee?

RISK CHECK

- [ ] They work fixed hours or a shift you set
- [ ] They attend your daily stand-ups and report to your manager
- [ ] They do core, ongoing work rather than a defined project
- [ ] They work only for you, or you've asked them not to take other clients
- [ ] They use a laptop, accounts or tools you provide
- [ ] They're paid a fixed monthly amount, not per deliverable
- [ ] They've worked with you for six months or more, with no end date
- [ ] You'd be uncomfortable if an auditor read your chat messages with them

ONE TICK

Review the arrangement and tighten the paperwork.

THREE OR MORE TICKS

The relationship likely looks like employment. Redesign it or convert the role.

What employers can do now

Most risk can be fixed calmly and in advance. It's much harder to fix after a complaint or an audit.

1. **Audit your contractors.** Run the checklist for each person and flag the high-risk relationships.
2. **Choose a path for each high-risk role.** Either redesign it as a genuine project engagement (clear statements of work, other clients allowed, no exclusivity), or convert it to employment, through an outsourcing partner that acts as the Employer of Record, or through your own entity.
3. **Document everything.** Keep the invoices, statements of work and communications that show independence, or that support your decision to convert.
4. **Budget for conversion.** Assume some past exposure is possible for borderline relationships, and estimate it using the example on page 6.
5. **Train hiring managers.** Avoid creating employee-like conditions for contractors, such as fixed schedules and headcount-style reporting.

DON'T END CONTRACTS ABRUPTLY

If someone was really an employee, a sudden termination to "fix" the problem can trigger an illegal-dismissal claim. Convert or restructure with advice.

Where outsourcing fits

If your audit shows employee-like relationships but you don't want a local entity, outsourcing lets you keep the same people doing the same work. The outsourcing partner becomes the formal employer, acting as the Employer of Record. It handles contracts, SSS, PhilHealth and Pag-IBIG enrolment, payroll and filings, and often day-to-day HR, while you direct the work. This **greatly reduces** your exposure, provided the partner is a genuine employer: its **own registered Philippine entity**, active government registrations and DOLE registration where required. Avoid partners that employ through a third party's entity.

PART TWO

Comparing the models

How each model works, where it helps, where it falls short, and what each one really costs.

03 The independent contractor model

04 Outsourcing to the Philippines

05 Side-by-side comparison

06 The true cost of each model

The independent contractor model

It's the most common way foreign companies start in the Philippines. The contractor invoices you, you pay, and they handle their own taxes and contributions.

How it works

An independent contractor is a self-employed professional or sole proprietor working under a written service agreement, usually with a defined scope. They are expected to:

Register with the BIR

As a self-employed individual or professional.

Issue invoices

BIR-registered invoices for each payment. These replaced official receipts under the Ease of Paying Taxes Act.

File their own taxes

Graduated rates plus 3% percentage tax, or the 8% flat rate on gross receipts above ₱250,000 if total receipts stay within ₱3 million.

Pay their own contributions

SSS and PhilHealth are generally compulsory for self-employed earners; Pag-IBIG is optional. In practice, many don't keep up.

For you, there's no payroll, no government remittances and no Philippine reporting.

Where it works well

- **Fast to start.** No entity, registrations or enrolment needed.
- **Flexible scope.** Engagements can run per project, with clear deliverables and end dates.
- **Lower immediate cost.** You pay the invoiced rate, with no 13th-month pay, contributions or paid leave.
- **Low-commitment market testing.** A good way to see how remote collaboration works for your team.

Where the contractor model breaks down

The risks grow the more a contractor works like an employee.

Risk	What it means
Reclassification	If the relationship is really employment, you owe back benefits, contributions and possibly dismissal awards (see page 6).
Hidden financial liability	Exposure builds every month and can run to millions of pesos across a team over several years.
IP ownership	Copyright in commissioned work stays with the contractor unless the contract assigns it. That matters for software, content and designs.
Higher turnover	Without benefits or job security, contractors often leave for stable roles, disrupting continuity.
Tax exposure	Unwithheld tax where you have a Philippine entity; possible permanent establishment questions where you don't.

WHEN CONTRACTORS ARE DEFENSIBLE

The model holds up when people are truly independent: project-based, using their own tools and free to serve other clients. When they work like staff, the risks quickly outweigh the savings.

A middle path with Remotify

If you want to keep some people on contracts, Remotify's **Contractor** and **Contractor of Record** services handle compliant contracts and payments, with an easy path to full-time employment later. For roles that have become employment in all but name, Remotify can bring contractors into an outsourced team, employing them as their Employer of Record, with SSS, PhilHealth and Pag-IBIG enrolment, 13th-month pay and full labour-law protection, while you keep directing the work.

Outsourcing to the Philippines: how it works

Outsourcing means working with a Philippine partner that takes on part of the work of building and running your team. It comes in two broad forms, and it's worth knowing which one you're buying.

Managed-service outsourcing (BPO)

The provider delivers a service or an output, such as customer support or back-office processing, using its own staff, managers and processes. You buy the result, often priced per seat, per hour or per transaction.

Dedicated-team outsourcing

Professionals work full-time on your team and under your direction, while the outsourcing partner recruits, employs, pays and supports them. To do that, the partner usually acts as the Employer of Record (EOR): the registered Philippine employer that carries the employer obligations.

This whitepaper compares contractors with dedicated-team outsourcing, the model most foreign companies use when they want their own Philippine team without a local entity.

How dedicated-team outsourcing works

1. You define the role. The partner can source and screen candidates, or employ people you've already found, including existing contractors.
2. As Employer of Record, the partner signs a contract with the employee that complies with Philippine law.
3. It registers the employee with the **BIR, SSS, PhilHealth and Pag-IBIG**.
4. It runs payroll twice a month, with tax withholding, contributions and 13th-month pay.
5. You pay one consolidated invoice: salary, statutory costs and the service fee.
6. It handles filings, follows DOLE labour standards and supports your team day to day, from leave to terminations.

Why companies choose it

- **Compliance certainty.** Team members are formally employed, which removes the misclassification question for those roles.
- **Retention.** Statutory benefits and a formal record help people stay.
- **IP and confidentiality.** Work made in regular duties belongs to the employer, backed by contract clauses.
- **Speed.** No months-long incorporation. Hire one person or many.
- **Predictable cost.** Itemised monthly costs replace open-ended liabilities.
- **One partner for the people's side.** Recruitment, HR support and payroll sit with one provider, not several.

Trade-offs, and how to choose an outsourcing partner

Outsourcing isn't the right answer for every engagement, and partners differ a lot.

Who does what

You	The outsourcing partner
Choose the candidate and agree the salary	Issues the compliant employment contract
Direct the day-to-day work and priorities	Registers the employee with the BIR, SSS, PhilHealth and Pag-IBIG
Manage performance, goals and culture	Runs payroll, withholding, contributions and filings
Approve leave and expenses	Provides statutory benefits and private health insurance (HMO)
Bring new hires into your team and tools	Sources candidates on request, onboards and supports employees with local HR
Decide on promotions or exits	Handles terminations with the required due process

Service fees

Each team member carries a monthly fee on top of salary and statutory costs. Budget for it from the start.

Built for ongoing roles

For short, defined projects, a genuine contractor arrangement may still make more sense.

Partner quality matters

Your partner runs your compliance, so payroll or filing mistakes reflect on you. Check carefully.

You still lead the team

Outsourcing hands over employment and HR administration, not leadership. Remote team members need clear goals, onboarding into your tools and regular time with your managers.

Questions to ask any outsourcing partner

- [ ] Do you employ through **your own** registered Philippine entity, or a partner's?
- [ ] Can you show proof of SSS, PhilHealth, Pag-IBIG and BIR remittances each month?
- [ ] Who signs the employment contract, and does it include IP and confidentiality clauses?
- [ ] Is private health insurance (HMO) included, or extra?
- [ ] Can I interview and choose the final candidate, or bring my own?
- [ ] How is your fee calculated, and is there a cap?
- [ ] How do you bill: in advance or in arrears, with what FX rate or buffer?
- [ ] What HR support do team members get day to day, and who manages terminations and due process?
- [ ] Can you convert my existing contractors, and how long does it take?

05 COMPARISON

Side-by-side: contractors vs. outsourcing

Contractors can look faster and cheaper upfront. Outsourcing trades a predictable fee for protection, support and long-term stability.

Factor	Independent contractor	Outsourcing
Legal status	Self-employed; handles own taxes and contributions	The outsourcing partner is the legal employer; the worker is a formal employee
Compliance	HIGH RISK if the role works like employment	Formal, documented employment; quality depends on the partner
Cost	Invoiced rate only; hidden liability if reclassified	Salary + statutory costs + service fee, itemised monthly
Tax	Contractor files and pays their own taxes	The partner withholds, remits and reports; you get one invoice
Benefits	None from you; contractor self-funds	SSS, PhilHealth, Pag-IBIG, 13th month, leave; HMO
Team management & HR	You manage the work and any admin; no HR framework	You manage the work; the partner handles HR admin, employee support and offboarding
Retention	Lower; contractors often leave for stable roles	Higher; security and benefits help people stay
Scalability	Fine for one-off projects; fragile for teams	Built for growing teams, from one hire to many, with recruitment support available
IP	Copyright stays with the contractor unless assigned in writing	Work made in regular duties belongs to the employer, plus contract clauses
Ending it	Per contract terms (unless it's really employment)	Just or authorised cause, with due process
Audit risk	HIGH	LOW
Best for	Short, defined projects; independent specialists	Long-term hires, core roles, growing teams

AND YOUR OWN ENTITY?

Setting up a Philippine company typically needs **US$200,000** minimum paid-up capital (US$100,000 in some cases) and several months of registrations. It makes sense for large, permanent operations, often after starting with an outsourcing partner.

The true cost of each model

Cost isn't just the monthly salary. It's what happens when compliance is, or isn't, built into the structure.

Monthly cost of a ₱40,000 role in 2026

Cost component	Contractor	Outsourcing
Base pay	₱40,000	₱40,000
Employer SSS (incl. ₱30 Employees' Compensation)	—	₱3,530
Employer PhilHealth (2.5%)	—	₱1,000
Employer Pag-IBIG	—	₱200
13th-month accrual	—	₱3,333
Statutory cost on top of salary	**₱0**	**₱8,063 (+20.2%)**
Total before partner fee	**₱40,000**	**₱48,063**
Private health insurance (HMO)	—	Included

Calculated from 2026 SSS, PhilHealth and Pag-IBIG rates and PD 851. Figures rounded.

CONTRACTOR: LOW TODAY

The contractor route saves about **₱8,000 a month** in statutory costs for this role, plus the partner fee.

RISK TOMORROW

If reclassified after two years, you could owe about **₱193,520 per worker** (13th-month pay plus employer contributions) before penalties, holiday and overtime pay, leave and any dismissal claim.

What else to budget for

Contractor: hidden costs

- **Retroactive contributions** to SSS, PhilHealth and Pag-IBIG if reclassified
- **13th-month pay arrears** for every year worked
- **Late-payment penalties:** SSS charges 2% a month on unpaid contributions; late tax attracts a 25% surcharge plus 12% interest
- **Dismissal claims** if the arrangement is ended
- **Turnover:** recruiting and training replacements

Outsourcing: planned costs

- **Base salary**
- **Employer contributions** to SSS, PhilHealth and Pag-IBIG
- **13th-month accrual**, so December is planned
- **Benefits:** private health insurance (HMO) included; budget for any extra allowances
- **Service fee**, usually a flat monthly amount per employee, a percentage of salary, or both
- **Optional services**, such as recruitment, background checks or equipment, if you use them

CHECK THE BILLING TERMS

Many partners invoice monthly while your team is paid twice a month, bill the first month in advance, and add an FX buffer or a one-time onboarding fee. Some also accrue a severance reserve or charge separately for recruitment and equipment. Ask for a full breakdown before you sign.

SEE YOUR OWN NUMBERS

Remotify's Employee Cost Calculator shows salary, contributions, 13th-month and severance accruals, and service fees for your roles before you hire.

Employee cost calculator →

PART THREE

Making the decision

The risks foreign employers often miss, a framework for choosing, and answers to the questions we hear most.

07 Risk factors foreign employers overlook

08 Decision framework

09 FAQs

07 OVERLOOKED RISKS

Risk factors foreign employers overlook

Contract templates and a payroll tool can feel like enough at the start. Philippine labour and tax rules add obligations that aren't always obvious.

01 **Assuming contractors stay contractors**

Fixed schedules, exclusivity and company equipment can turn a contract into employment over time. Re-run the checklist on page 11 whenever a role changes.

02 **Getting payroll mechanics wrong**

Employees must be paid at least twice a month, no more than 16 days apart, in legal tender, which in practice means pesos. You can budget and be invoiced in US dollars; the employee's pay goes out in pesos (Labor Code Arts. 102–103).

03 **Underestimating data privacy**

Payroll data includes tax IDs, bank details and dependants' information. The Data Privacy Act of 2012 requires safeguards, a Data Protection Officer and a breach plan. Serious breaches must be reported to the National Privacy Commission within **72 hours**, and fines can reach **₱5 million**.

More risks to plan for

04 Disputes and claims

Even with a contractor label, workers can file complaints with DOLE or the National Labor Relations Commission (NLRC) claiming they were employees. Successful claims can bring regularisation, back pay, benefits and, after a dismissal, reinstatement or separation pay plus damages. These cases are slow, public and costly.

05 Treating remote staff as second-class

The Telecommuting Act (RA 11165) requires that remote employees get treatment no less favourable than comparable on-site staff, including pay, leave, workload, training and privacy.

06 Creating a tax presence by accident

Under many Philippine tax treaties, services performed in the Philippines for a set period can create a permanent establishment. If your Philippine team does core work, take advice on your treaty position.

HOW REMOTIFY REDUCES EXPOSURE

As your outsourcing and HR partner, and your team's local employer, Remotify takes on the employer side of these risks. Formal employment removes the misclassification question for those roles. Remotify runs payroll on the Philippine cycle in pesos, manages terminations under just- and authorised-cause rules, including the required notices and hearings, includes IP protection clauses in its contracts, and offers optional GDPR and cybersecurity training.

08 DECISION FRAMEWORK

Which model fits your business?

Decide proactively, before an audit, a complaint or a funding round forces the issue. Most teams use one of three structures, and many use more than one.

OPTION 1

Independent contractor

- Short projects with clear deliverables
- Non-core work
- People with their own tools and other clients
- Flexibility matters more than retention

OPTION 2

Contractor of Record

- You want to keep contractors, with compliant contracts and payments handled for you
- A clear path to employment if the role grows

OPTION 3

Outsourcing

- Full-time roles with set hours
- Core functions: engineering, support, finance
- Teams growing beyond a handful
- Compliance-heavy sectors such as fintech, healthcare and data
- Predictable budgets
- Recruitment, HR and payroll handled by one partner

QUICK TEST

Do they follow your schedule? Report to your managers and use your tools? Do core work? Work only for you? If most answers are yes, they likely qualify as an employee. Use the full checklist on page 11.

Making the call with Remotify

Remotify can review your current setup and help you decide which model fits each role. Where outsourcing is right, contractors are re-engaged as employees, with Remotify as their Employer of Record, benefits, Philippine payroll and local HR support, and they keep doing the same work for you.

09 FAQS

Frequently asked questions

Is it legal to hire only contractors in the Philippines?

Yes, as long as they're truly independent: they set their own schedule, use their own tools and ideally serve other clients. Once someone works fixed hours, reports to your managers or handles core work, the four-fold test may make them an employee, with the liabilities that follow.

What is the penalty for misclassification?

There's no single fine. You're treated as the employer and owe what an employer would have paid: 13th-month pay, leave, holiday and overtime pay, and SSS, PhilHealth and Pag-IBIG contributions with penalties, plus dismissal awards if you ended the arrangement. For a ₱40,000 role over two years, 13th-month pay and employer contributions alone come to about ₱193,520.

Can contractors demand benefits or regularisation?

Yes. Workers can file complaints with DOLE or the NLRC if they believe they were really employees. If they succeed, they can claim 13th-month pay, overtime, statutory contributions and regular status.

Is outsourcing the same as using a BPO?

Not necessarily. A traditional BPO delivers a service with its own staff and management. Dedicated-team outsourcing gives you people who work on your team, under your direction, while the outsourcing partner employs, pays and supports them, usually as their Employer of Record.

09 FAQS

More questions

How predictable are outsourcing costs?

Very. You pay salary, statutory contributions and a service fee, which is usually a flat monthly amount per employee, a percentage of salary, or both. Also check billing terms such as advance billing, FX buffers, onboarding fees and charges for optional services.

Do Filipino professionals prefer employment over contracts?

Generally, yes. In Remotify's 2026 survey, 77% of remote workers wanted a local employment record and 78% were open to employment through an Employer of Record. Benefits and a formal record help with loans, visas and government benefits.

Can I convert contractors without triggering claims?

Usually, if you do it properly. Offer employment on terms at least as good as before, recognise prior service where appropriate, and take advice on any past exposure. Avoid ending contracts abruptly first.

KEY TAKEAWAYS

01 Control, not the contract, decides employee status.

02 Misclassification liability builds every month.

03 Statutory costs add about 20% to a ₱40,000 salary.

04 Pick an outsourcing partner that employs through its own Philippine entity.

Build your team in the Philippines. We'll handle the rest.

Remotify is an outsourcing and HR partner in the Philippines that can also act as the local employer for your team. We help international businesses build, employ and manage Filipino teams without a local entity, whether your people are contractors today, employees tomorrow or a mix of both. You stay in charge of the work; we take care of recruitment support, employment, payroll and HR.

EMPLOYER OF RECORD PRICING

US$99 /employee /month

+ 18% of gross monthly salary, capped at US$399

Employee salaries and statutory employer costs are separate. Private health insurance (HMO) is included in the standard EOR service at no additional cost.

Budget with confidence

You get a clear breakdown of employment costs and management fees as you build and grow your Philippine team.

Need more?

For talent sourcing, equipment, training or specialised services, our team can prepare a tailored proposal.

Outsourcing & Employer of Record

We find, onboard and employ your team under Remotify's own Philippine entity, with compliant contracts and IP protection clauses.

Contractor & Contractor of Record

Compliant contracts and payments, with an easy path to full-time employment.

Payroll, HR & compliance

Peso payroll, contributions and filings, plus local HR for leave, expenses, employee support and due-process terminations, and the weekly I.N.S.P.I.R.E. programme.

READY WHEN YOU ARE

Outsourcing or contractors? Let's look at your team.

Talk to us about your current setup, converting contractors, or building and supporting a team in the Philippines. We'll walk you through the costs for your roles. There's no obligation.

Book a call → www.remotify.com

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DISCLAIMER

This whitepaper is for general information only and is not legal, tax or financial advice. Philippine employment, tax and social security requirements change often. Verify current requirements with the relevant government agency or a qualified professional before making employment decisions. Information is current as of November 2026. Illustrative examples are calculated, not real cases. Remotify pricing and service details are as published by Remotify and may change.

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