



CONTRACTUAL LABOR ENGAGEMENT: PERSPECTIVES OF EMPLOYEES AND SMALL AND MEDIUM ENTERPRISES (SMES) EMPLOYERS

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ABSTRACT

This study explored the experiences of the employer and employee of small and medium-sized enterprises (SMEs) in Mandaue City, Cebu, on a short-term employment contract, C.Y. 2022. In particular, the study was conducted in the selected barangays where there the target small and medium-sized enterprises (SMEs) were located. Using the purposive sampling technique, the participants of this study were the ten (10) representatives and employees under a short-term employment contract of the small and medium-sized enterprises in Mandaue City, Cebu. The research tool used in this study was the interview with the managers, owners, or representatives of SMSE), while the second set was used to interview the contractual or short-term employees of SMEs). In the qualitative data about the positive experiences of short-term employment contracts as well as the aspirations to improve labor management in terms of short-term employment contracts, thematic analysis was used. The themes that emanated from positive experiences of the management representatives of the small and medium-sized enterprises on having short-term employees are: Savings from Reduced Costs on Employee Benefits, Prevention from the Formation of Labor Unions, Avenue to Screening Potential Employees for Regularization, Cutting on Labor Costs, Cost-Cutting Measures, Seasonality of Business Demand, Production Efficiency, Contractual Employees Afforded Assistance to SMEs, Short-term Employees Served as Back-up Workforce, Augment Immediate Need of Manpower, and Expedite the Provision of Services and Increase the Level of Productivity.

Keywords: Human resource management, labor relations, positive experiences, aspirations, short-term employment, small and medium-sized enterprises, qualitative research, Mandaue City, Cebu, Philippines

INTRODUCTION

This investigation is enthused on the various social theories to comprehend, describe, and understand the content of social justice. The social exchange theory is aligned with a fair exchange,

wherein a human in an exchange relationship will expect the rewards to be proportionate to its costs. Hence, there is equality between the significant rewards and the high cost. Each item compels the other to equitable returns or the rule of distributive justice. In addition, the equity theory and self-



determination theory pertain to the theory of motivation among workers. These theories explained that to keep employees motivated in their respective tasks; there should be fair treatment. Every employee in the workplace is motivated by external factors such as monetary concerns and employment status. It could also be internal willingness or eagerness to perform the tasks assigned to him or her. The self-determination theory is another human motivation that looks at the innate, positive, or realistic human likelihood of progress. Autonomy, relatedness, and competence are the three core needs to facilitate growth in this theory.

Micro and small enterprises are considered part of the informal sector because they have low capital investments. As such, they may not be able to afford some form of medium technology and do not comply with legal documentation. Many workers in the micro-enterprises live in transitory and substandard conditions. They work longer hours than their counterparts in the formal sector. Most are paid on a fixed salary basis; others by piece rate, with which they do not receive other benefits (Tolentino, 2007).

Although there is a favorable impact of the resort of such contractual employees, especially on the management side, there will be another undesirable in terms of the employment status of their concerned contractual employees. Hence, this study aims to discover the experiences of the management and contractual workers of small and medium-sized enterprises. Out of the results, the researcher intends to present suggestions to improve labor-management relations between the contractual workers and employers of small and medium-sized industries operating in Mandaue, Cebu, since the implications are helpful to provide recommendations for the managers in improving management plans for their daily operations. Consequently, the outcome expects to offer a quick way to resolve issues between the employer and employee concerning the use of contractual employees. Thus, the implications to practice would also benefit the Small and Medium Enterprise (SME) Development Council in guiding strategic policy, the Cebu Chamber of Commerce in ensuring the harmonious relationship of both business management and the employees, and

the Department of Labor and Employment. Their agency tasks to oversee the positive side or beneficial facet of employees.

OBJECTIVES OF THE STUDY

This study explored the experiences of the employers and employees of small and medium-sized enterprises (SMEs) in Mandaue City, Cebu, on a short-term employment contract, C.Y. 2022. Specifically, this study sought to answer the positive experiences of the informants on short-term employment contracts.

METHODOLOGY

This study utilized qualitative research using qualitative data. The qualitative data were obtained from the narrations of the selected two groups of research participants the management representatives and the contractual employees.

This investigation was undertaken in Mandaue City, Cebu, situated right at the heart of the Province of Cebu. The City of Mandaue is one of the two highly urbanized cities in Central Visayas, next to the City of Cebu. The city is strategically located and is ten minutes away from any of the significant economic growth points within the inner core of the Metropolitan Cebu Area.

Using the purposive sampling technique, the participants of this study were the ten (10) representatives of small and medium-sized enterprises in Mandaue City, Cebu either the top-level managers (President or Chief Operating Officer (CEO), middle managers, Human Resources (HR) manager, administrative officers, operations managers in the selected eighteen (18) small or medium-sized enterprises (SMEs) in Mandaue City. The other group of informants was the ten (10) employees in the small or medium-sized enterprises (SMEs) who were under contractual or short-term employment for an extended period in the eighteen (18) SME establishments.

The researcher-made interview guide was validated first by an expert in human resource and labor relations. The questions contained in the tool were scrutinized concerning the statement of the

problem to ensure validity and fitness to the target participants.

Data Collection. The researchers secured permission to conduct the study from the administrative officers of small and medium-sized enterprises (SMEs).

Data Analysis. The negative and positive experiences of the short-term employment contract and the aspirations to improve the labor management in terms of short-term employment contract, thematic analysis was used.

Ethical Considerations. The act of volunteerism is a must in the proceedings of the study. The researcher's obligation is not to harm the research participants or informants nor expose them to unnecessary pitfalls.

RESULTS AND DISCUSSION

This section displays the research participants' responses concerning their positive and negative experiences while engaging contractual employees.

1. Management or Employers' Positive Experiences in Short-Term Employment

This section presents the positive experiences and perceptions of the employers or the management of small and medium-sized enterprises (SMEs) about having short-term or contractual employees.

The first question asked to the research participants was about the benefits of having short-term employment contracts or hiring contractual employees.

Contracting and subcontracting arrangements are expressly allowed by law and are subject to regulation for the promotion of employment and the observance of the rights of workers to just and humane conditions of work, security of tenure, self-organization, and collective bargaining. Labor-only contracting as defined herein shall be prohibited.

1.1. Savings from Reduced Costs for Employee Benefits.

Maximizing profit is the ultimate purpose of the existence of any business entity. Hence, the business management would engage in any measure to save on operating and overhead costs like the salaries and benefits for the employees.

Informant 1 shared that by practicing contractual employment, the business entity will be able to reduce their expenses on employee benefits as well the monetary costs for regularization. It was shared that:

Maminusan ang benepisyo sa empleyado ug ang gasto sa pag-regular sa empleyado. (Minimize employee benefit and expenses for the regular employees).

Informant 2 opined that having short-term employees enabled the business entity to save the payment for medical insurance premiums and the costs for other monetary incentives given to regular employees. It was also said that:

Ang kaayohan sa pagkuha ug mga short-term employees mao nga walay external medical insurance ug uban pang regular nga mga benepisyo sa empleyado nga gigahin sa ilaha nga sagad matagamtaman sa mga regular nga mga empleyado. (The benefit of hiring short-term employees is that there is no external medical insurance and other regular employee benefits allocated to them that are usually enjoyed by the regular employees).

Having contractual employees, the company will not be forced to provide the mandated benefits in accordance with the existing social legislation in the Philippines. Informant 3 shared that:

Ang mga benepisyo sa pagkuha ug mga trabahante nga kontraktual karon ga mga panahon mao nga dili kayo gasto sa mga mandato nga benepisyo sa gobyerno ug mga separation packages. (The benefits of hiring contractual workers nowadays are less expenses in government mandated benefits and separation packages).

Likewise, informant 5 added that hiring employees under the contractual agreement will place the management of the business enterprises on the safe side in terms of providing separation pay in times of retrenchment. The following statement was shared:

Alang kanamo, usa ka major benefit sa adunay mga empleyado nga kontraktwal mao nga dili mag accumulate dugang gasto alang sa pagbayad sa separation fee sa kaso sa kalit nga pagterminate ingon man usab alang sa mga benepisyo sa pagretiro ng ana enjoy sa kadaghanan sa mga regular ug karaan nga mga empleyado. (For us, one major benefits of having contractual employees are that the additional expenses for separation pay in case of sudden termination as well as for retirement benefits that most regular and long-term employees enjoy will not be accumulated further expenses).

Informant 6 also explained also that having contractual employees enabled them to save expenses for the payment of statutory benefits. It was uttered that:

Ang kaayohan sa adunay mga short-term employees mao ang pagdako sa kita tungod sa ilahang presensya, nga dili kayo kami mogasto sa benepisyo sa empleyado sama sa SSS ug Pag-IBIG, PhilHealth ug uban pang mga benepisyo kalabot sa gasto sa operasyon. (The benefit of having short-term employees is maximizing profits with their presence, we incur less expenses for employee benefits like SSS and Pag-IBIG, PhilHealth and other benefits with regards to cost in operations).

The financial obligation of the company towards the employees will be reduced when the workers will be placed under a contractual work arrangements. Informant 7 also discoursed that:

Mapuslanon kini, ingon nga ang ang kompanya makaminusan ang mga obligasyon sa financial taliwala sa mga empleyado bahin sa pagbayad sa ilang mga benepisyo ug uban pang mga insentibo. (It's useful, such that the firm can reduce financial obligations among the employees in terms of paying their benefits and other incentives).

Informant 8 pointed out that they were not liable to pay a quit claim or separation pay to their employees and firmly said that:

Sa kinatibuk-an, ang mga temporary nga mga kawani dili makadawat ug fringe benefits, sama sa healthcare ug life insurance. Ang kompanya dili makapanubag sa pagbayad sa bisan unsang separation fee. (In general, temporary employees cannot receive fringe benefits, such as healthcare and life insurance. The company is no longer liable to pay any separation pay).

The representatives of the small and medium-sized enterprises in the selected barangays in Mandaue City, Cebu, divulged that their company or business enterprises would save costs on the payment of statutory benefits or the mandated benefits stipulated under the Philippine Labor Code. Also, they will not be required to give separation pay the moment their workforce needs will be reduced due to cyclical ups and downs of the volume of business.

Many companies resort to labor contracting and/or contextualization of workers to avoid regularizing these workers and reduce employment costs by not paying the benefits due to regular employees (Congressional Policy and Budget Research Department, 2016).

1.2. Prevention from Formation of Labor Union

The management of the small and medium-sized enterprises had anticipated that labor unions would possibly be formed when there are lots of regular employees in the organization, which might have an adverse effect on the business operations and sustainability.

Avoidance of the formation of labor unions is the primary concern of informant 1, who said:

Ang kaayohan sa pagkuha sa mga empleyado nga kontraktwal aron malikayan ang grupo sa union. (The benefit of hiring contractual employees is to avoid the formation union group).

In addition, informant 10 added that there are cases wherein a regular employee will resign, and will be replaced with another employee with regular employment status. In this way, the company can gain savings in terms of the payment of benefits and the formation of labor unions inside their organization will be avoided. It was shared that:

Ang adunay short-term employees puli sa regular nga mga kawani mahimo'g makabenepisyo sa kompanya sa paggasto sama sa mga benepisyo sa empleyado ug mapugngan ang mga union sa pamuo sa higayon nga pakyas ang kompanya nga matuman ang ilang gipaabot sama sa paghatag mga benepisyo pinaagi sa collective bargaining agreement tali sa amo ug empleyado. (Those who have short-term employees in lieu of regular personnel can benefit the company in expenditures like employee benefits and even the formation of labor unions in case of the company's failure in meeting their expectations such as giving benefits through collective bargaining agreement between employer and employee).

One of the employers' motives to hire contractual employees when the demand for the products and services they offer is high is to save on paying the monetary benefits to the employees. Also, when they have to decrease their workforce, they do not have to follow the procedures and requirements for retrenchment under the Philippine Labor Code. Also, minimizing the number of regular employees in small and medium-sized enterprises will mitigate the propensity to form labor unions, which might be detrimental to the profitability and long-term sustainability of the business.

Labor unions are organizations in which employees band together to create a collective voice for negotiations with employers. Employees deal with unions. They are likely to be more satisfied, as they have a voice to speak to the employer and get higher wages on average and fringe benefits packages (Martin & Martin, 2003).

Irregular workers, then, are not given any form of representation. They are not allowed to participate in collective bargaining as they are not

allowed to form unions. As stated earlier, only one unit is permitted per company. The union in one company is then limited to the membership of only regular workers. Many new unions have been denied recognition because of their contractual nature of work. Companies deny employment to unionized workers (Salamat, 2010).

1.3. Avenue to Screening Potential Employees for Regularization

Screening potential employees are essential to be part of the company's policy to ensure that those employees who will be given regular status possess the right skills, competence, and attitude that the organization needs.

The management of the small and medium-sized enterprises was very particular in selecting employees who deserved regularization. Also, engaging in contractual workers enabled them to mitigate the propensity of financial obligation in the long run. Informant 1 divulged that:

Isip usa ka HR representative sa kompanya adunay daghang mga kaayuhan and adunay mga short-term employees, sa kaugalingon nako nga kasinatian, ang mosunod mga kaayohan nga hinungdan sa panig sa pagdumala sama sa, mubo nga katumanan sa pinansyal alang sa wala'y trabaho nga klase sa mamumuo, paghatag ug work experience sa umaabot nga pwersa sa trabaho, mahimong mapili ang angay nga mga trabahante alang sa husto/ umaabot nga mga trabaho sa sulud sa kompanya alang sa umaabot nga long-term nga employment. (As HR representative of the firm, there are a lot of benefits of having short-term employees, in my own experience, the following are beneficial reasons in the management side such as, short term financial obligation for the unemployed working class, provide job experience to future work force, may be able to select appropriate workers for proper / future jobs within the company for future long-term employment).

Hiring the employees on a contractual basis will give the management of the business entity to assess the performance and character of the employees before considering them for regular status. Informant 5 added that:

Kini mapuslanon tungod kay ang kompanya mahimong masusi sa unahan kung ang empleyado adunay mga problema sa pamatasan o kinaiya nga mahimong motungha sa pila ka bulan nga pagtrabaho. Sa kini nga paagi, ang kompanya mahimong makadecide ug una kung dili o e employ ang maong empleyado isip usa ka permanente. (It is beneficial because the company can assess ahead if the employee has attitude or character problems that may arise after months of working. In this way, the company can decide ahead of time whether or not to employ the said employee as permanent one).

Small and medium-sized enterprises hired contractual employees, wherein they can select the best candidates to fill in the regular positions in the company or business enterprises. The primordial criteria are the skills, performance, and intelligence to bring new ideas to the entity. Informant 7 said:

Ang kaayuhan usab sa adunay short-term employees alang kanamo ma evaluate ang mga giingong trabahante according sa ilang skills ug efficiency sa trabaho nga mahimo'g mu fill-in sa among kompanya sa umaabot ug aron maka acquire kami new breed of ideas and strategies nga mahimong mapuslanon sa kompanya (The benefit also of having short-term employees is for us to evaluate the said workers according to their skills and efficiency in work that can fill in our firm in the future and for us to acquire new breed of ideas and strategies that may be useful to the company).

In addition, hiring the employees on a contractual basis will give the management ample time to evaluate their performance, which will be the basis for affording regular status. Informant 2 elucidates that:

Ang management adunay higayon susihon ang nahimo sa usa ka empleyado alang sa katuyuan sa pagregular. (The management will have a chance to evaluate the performance of a certain employee for regularization purposes).

Based on the narratives of the research participants, hiring employees under contractual

agreement enables the management of the business enterprises to select or choose who among them has the potential characteristics and admirable attitude that deserve to be given regular status. The management needs to retain productive employees to attain operational efficiency.

Some firms use the short-term employment condition as a pseudo-probationary period to preview workers from whom they screen out of those who fail to meet performance criteria or do not otherwise fit the organization, or extend an offer of long-term employment to desired individuals.

Daily or on-call contracts are described as highly precarious due to their short duration of employment contracts. In contrast, replacement, training, and seasonal contracts in many countries are used to screen potential permanent employees, and thus they may offer the prospect of ongoing or long-term employment.

1.4. Cutting on Labor Costs

In general, the purpose of hiring contractual employees in the case of small and medium-sized business enterprises is to save on labor costs. Informant 4 explained that having contractual employees enabled the business enterprise to save on expenses for paying salaries and other benefits. It was revealed that:

Ang mga short-term employees mahimong epektibo nga maminusan ang mga gasto sa kumpanya bahin sa mga obligasyon sa gasto sa pagtrabaho. (Short-term employees can effectively reduce the company's expenditures in terms of labor cost obligations).

Moreover, the purpose of hiring contractual employees is to reduce and mitigate the financial obligation of the company or business enterprise towards the employees. Likewise, informant 9 added that:

Usa ka labi ka mayo nga strategy aron mapamubu ang gasto alang sa mga empleyado ug maminusan ang peligro sa liability sa ilaha. (A better strategy to cut expenses for employees and lessen the risk of liability to them).

The research participants posit that the primary purpose of the management of small and medium-sized businesses (SMEs) is to decrease their financial liability to the employees when they hire employees under short-term employment contract. With the contractual arrangement, the management is not obliged to provide benefits due to regular employees.

The growth in temporary employment is driven mainly by employers' demand for more flexibility and innovation and by their wish to reduce labor costs and administrative complexity.

The second question asked to the research participants was about how the company decided on hiring short-term employees.

Contracting offers the opportunity to quickly hire someone with specialist skills or to bolster a department in the short term. Invariably, experienced contract talent brings a new level of enthusiasm and energy to a company. They are there for the short term and they can make the most of their input, without the need for extra training.

1.5. Cost-Cutting Measures

Hiring employees on a contractual basis enabled small and medium-sized enterprises to save on operating and overhead costs. Hence, it became the primordial consideration to place the majority of the employees under short-term employment status.

Hiring employees on contractual status allowed the management of small and medium-sized enterprises to screen who among them has the desirable characteristics and competence that can contribute to the company's growth. Thereby, informant 1 clarified that:

Ang kritikal nga bahin sa management mao ang pag decide kung unsang klase ang mga empleyado nga mahimo namong magamit sa among kompanya, sa among bahin ang mga hinungdan sa kompanya sa pag decide mga short-term employees mao ang cost cutting measure. (The critical part in management is to decide what type of employees that are useful in the company. In our case, the reasons of the company in deciding short-term employees are cost-cutting measure).

Informant 7 also opined that the primary objective to hire short-term employees was to cut costs for overhead expenses. It uttered that:

Ang mga pag decide basically para makadaginot sa cost sa overhead aron ma elevate ang kita sa kompanya ug ang kapasidad sa kompanya nga bayaran ang mga responsibilidad niini sa mga empleyado. (The decisions were basically to save on the overhead cost in order to elevate company's income and the firm's capacity to pay its responsibilities to its employees).

Other small and medium-sized enterprises hired contractual employees to do specific jobs for a short period. In this way, they can reduce monthly and annual labor costs when they hire permanent employees. Informant 8 explained by saying:

Nakahukom ang kompanya nga adunay short-term nga empleyado tungod sa mga empleyado nga kontraktwal maminusan ang staffing cost. Mo demand ra sila ug ubos nga bayad kay sa mga permanente. (The company decided to have short-term employees due to contractual employees they can reduce staffing costs. They may demand a lower compensation than those permanent ones).

With contractual employees, small and medium-sized business entities can minimize financial risks. Informant 9 added that:

Ubos nga peligro sa kompanya ug makatipig daghan bahin sa kita nga supposedly ihatag sa mga regular nga empleyado. (It's less risky for the companies and save a big portion of the profit which supposedly be given to regular employees).

The representatives of small and medium-sized business enterprises emphasize the importance of cost-cutting as their first reason for hiring contractual employees rather than giving them regular employment status. So, if the workload decreases in the future, the employers will have to end the employees' contracts without giving separation pay.

All selected employees provide their services to better an organization to appreciate their work and motivate them; the organization provides some extra benefits in the shape of rewards over

time and many more. Nowadays, competition is strict, and the main goal is to minimize costs. To achieve this goal, organizations also apply this technique to their employees. Employment on a contractual basis is an example of this cost reduction even though the manager can use the contract workforce approach to decrease costs and increase flexibility (Rogers, 1995).

Contractualization broadly refers to the practice of Philippine firms and companies to outsource the process of hiring staff and employees to other organizations or agencies. It is by no means synonymous with endo, which employers are implementing to get rid of their workers before their regularization to avoid paying for benefits and bonuses; unfortunately, many cannot disassociate the two terms from one another. Some pros and cons should be considered when keeping the practice of contractualization in the Philippines, like growth in the economy, staffing flexibility, training issues, and benefits (Pinoy Bisnes Ideas, 2021).

2. Seasonality of the Business Demand

The business activities of the small and medium-sized enterprises are seasonal. Hence, there are months when orders are not voluminous and do not need much workforce. Thereby, they needed to reduce the number of workers to compensate for their reduction in income.

One of the considerations in determining the number of workforces to be retained in the business entity is the workload for a certain period in the year. Informant 2 said:

Ang kompanya mo decide according sa kontrata nga gihatag by load of services ug requirement needed alang sa certain month o panahon sama sa example katapusang quarter sa tuig o tawgon namo kini nga peak season. (The company will decide according to the contract given by a load of services and requirements needed for a certain month or season like the last quarter of the year as an example or we call it peak season).

Usually, the firm has enough workers for normal operations. So during peak season, they will hire more on a contractual basis. Informant 6

shared this practice in the business organization and opined that:

Kasagaran, ang kompanya adunay igo nga manpower sa panahon sa normal nga operasyon apan tungod kay adunay mga seasonal times nga kinahanglan namo og daghang mga trabahante ug kinahanglan namo sila sa usa ka mubu nga panahon, kana nga katarungan nagpugos sa amua sa pagkuha ug mga short-term employees sa among kompanya. (Normally, the company has enough manpower during normal operations but since there are seasonal times that we needed to hire more workers and we only need them on a short period of time, that reason obliged us to hire short-term employees in our company).

Informant 3 said that the basic consideration of the company on the number of manpower is the number of working hours needed to finish the project or the desired number of outputs. This still relates to the issue of the seasonality of the business. It was said that:

Ang kompanya nagdecide nga adunay mga short-term employees nga gibase sa gidaghanon sa mga oras sa pagtrabaho o manpower nga kinahanglan sa usa ka trabaho o proyekto in a span of time. (The company decided to have short-term employees based on the number of working hours or manpower needed in a certain work or project in a span of time).

To maintain sustainability, the management of the small and medium-sized business entities in Mandaue City primarily considers the seasonality of the demand for the goods and/or services that they offer to the market. One of the aspects of the business that will be affected by such a decision is the number of workers to be hired, retained, and retrenched for a particular season of the year. So, during peak season, they will have to hire more under a short-term contract.

On the other hand, they needed to end the contract during off-peak or lay off the excess workforce to save labor costs. When the company

has the opportunity to gain, it might as well spend more to congruently match the demand needed by clients that can only be performed through seasonal employees.

Similarly, seasonal employees are called to work from time to time according to varying needs during a season and are laid off after completing the required phase of work. These employees are hired to speed up operations at a particular time when the business's demand is high. An example of this would be hiring sales consultants and cashiers for different retail shops during the Christmas season (Abad, 2006).

The recruitment of seasonal workers was also similar to casual workers, whereby in one example, it was shown that organizations in the tourism industry tended to embrace the seasonality of their work and, as such, hire seasonal workers from a known pool of staff.

3. Production Efficiency

Another aspect of consideration for the management of small and medium-sized enterprises in hiring short-term employees is to meet production quota or increase production output to cater to more customers or clients or congruent increase to elevate income in the SME industry.

One of the reasons companies or business entities hit the sales target or be able to meet the demands of their target market is by increasing productivity. According to Informant 1:

Ang short-term employees mao ang manpower puli sa makina alang sa paspas nga produksyon. (Short-term employees are replacements of machines over manpower for faster production).

Informant 10 explained that the purpose of hiring contractual employees was to meet the temporary increase in the demand for goods and services that the small and medium-sized enterprises offered in the market. It was revealed that:

Nakahukom ang kompanya nga mag short-term employment tungod sa mga oras nga ang kompanya kinahanglang maminusan ang pagdugang sa tawo sa bisan unsang katarungan sama sa pagminus sa kita nga resulta sa tinuig nga pag review sa operasyon pinaagi sa pagtandi sa performance sa miaging tuig. Short-term employment mao ra dayon nga mga solution kung adunay sales surge nga mahimong hinungdan sa dugang nga manpower aron

The narratives of the research participants who were speaking on the side of the management of the small and medium-sized business enterprises show that another purpose of hiring employees under the contractual agreement is to meet the cyclical increase in the market demand for the goods and services. Since they knew that the demand growth is temporary, then they will place the employees under contractual status so that when the time will come that the sales will decline, then there will be no need to go on with the tedious process of retrenchment wherein they will be required to pay separation pay.

Hiring contract employees enables companies to release new products and initiatives quickly. It can take a significant amount of time and resources to build a team of full-time employees and train them to accomplish a new goal. The company can hire experienced contract employees quickly to speed up production, expand quickly and meet tight deadlines. Contract employees are not restricted by a certain number of hours per week and do not qualify for overtime pay. Also, the company's management can set tight deadlines without worrying about increased labor costs (Indeed Editorial Team, 2021).

4. Contractual Employees Afforded Assistance to SMEs

Small and medium-sized enterprises need help from experts or professional workers. However, their limited capitalization and income compared to huge companies can only hire experts under contractual agreements.

Hiring experts and skilled workers on a short-term basis helped small and medium-sized business entities. Informant 4 elucidates that:

Nagtuo ako nga ang trabahante sa kontraktual mao ang gitawag nga eksperto ug experyensiyado, usa ka dakong tabang labi na sa mga gagmay nga tag-iyu sa kompanya sa negosyo nga sama kanamo. (I believe that contractual workers are the so-called expert and experienced ones, a big help especially to the small business company owners like us).

The narrations of the representatives of the small and medium-sized enterprise show that hiring experts and highly competent informal or contractual workers are suitable for their business entity with low capital investment. Hence, they cannot afford to retain this type of worker in their firm due to their limited ability to pay higher or more competitive salaries.

Micro and small enterprises are considered part of the informal sector because they have low capital investments. As such, they may not be able to afford some form of medium technology and not comply with legal documentation.

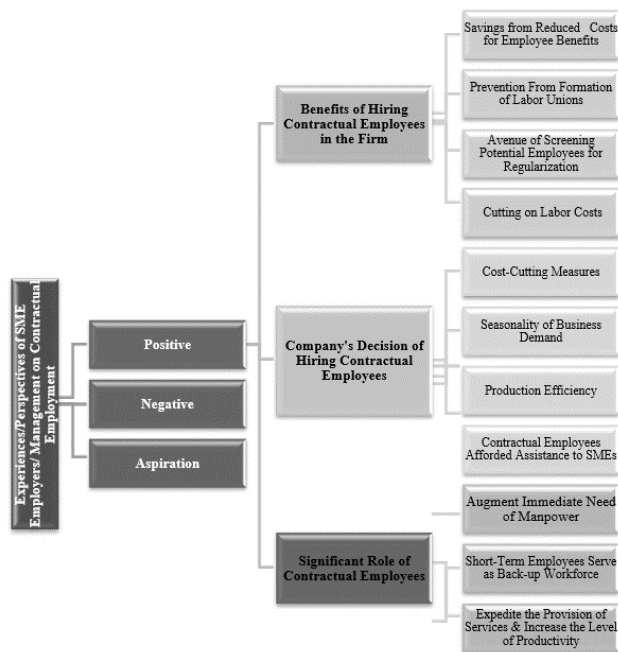


Figure. 1. Positive Perspectives or Experiences Management Representatives of the Small and Medium-Scale Enterprises in the Aspect of Short-Term Employment.

CONCLUSIONS

Close monitoring and supervision of the internal environment are needed for the management of SMEs. This intervention intends to ensure that the employees working in their enterprise, regardless of status, will be monitored as part of the company's management hint in hiring the best employees to be given future permanent positions in the company from contractual employees and for them also to observe the activities of the permanent employees if they deserved to have the said status of employment. The management also needs to plan to further improve their strategies in handling employees, primarily the contractual. They should establish timelines in planning to anticipate possible unfavorable scenarios in the future.

RECOMMENDATION

Furthermore, the management of small and medium-sized enterprises should open for the opportunity of the contractual employees, assurance for regularization; this is for those qualified contractual employees to give justice to the effort they devoted to the company. In such a motive the management, it will give contractual employees motivation to strive hard for the said goal, to become a permanent one. If it is not advisable to hire permanent employees from the contractual workers due to employers' valid reasons, grant continuous contract renewal well then, the best way to keep contractual employees working in their respective SMEs industries.

Organizations like the Cebu Chamber of Commerce would seek opinions from businesspeople on how they run their respective daily routines of operations to create an improved way to manage SME's operations efficiently. SME Development Council may conduct scanning on SMEs operations as to what types of employees are employed in their respective firms. The Department of Labor and Employment may also verify the conduct of operations of the SMEs by conducting a random inspection of the firms located in their area of responsibility. This is to ensure that the companies, specifically SMEs

complied with the obligations for their employees, especially the contractual workers.

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AUTHORS' PROFILE



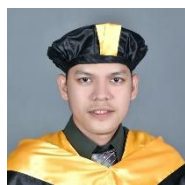
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