

Contractualization in the Fashion Retail Industry: Impact on the Job Quality and Work-Related Attitudes of Contractual and Outsourced Employees¹

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Abstract

This study examines the extent and implications of contractualization in the fashion retail industry (FRI) in the Philippines, addressing key concerns surrounding non-regular employment and its impacts on job quality. The research investigates the extent of contractualization, identifies the most dominant forms of non-regular employment, and explores the drivers behind its adoption. Additionally, it evaluates how contractualization influences work benefits, and overall working conditions, particularly for contractual workers and outsourced employees in a selected fashion retail company and an outsourcing company. The study further analyzes how these impacts vary based on demographic characteristics, employment category, and job position.

Using a mixed-methods approach, the study collected quantitative data from a survey of 90 respondents, comprising direct contractual employees and outsourced workers, as well as qualitative data through key informant interviews (KIIs) with 14 managers and supervisors. Findings reveal that fixed-term employment is the most dominant form of non-regular work, followed by project-based and probationary employment. Employers adopt contractualization primarily for cost reduction, workforce flexibility, and industry growth.

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The study highlights disparities in job quality perceptions, with outsourced workers experiencing better job security and benefits compared to direct contractual employees. While government regulations, such as the Department of Labor and Employment's (DOLE) Department Order (DO) 174-17 and Executive Order No. 51 protect contractual workers, enforcement remains a challenge. However, some companies have implemented good practices, such as pathways to regularization, enhanced employee benefits, and workplace training programs, which have contributed to higher retention rates and improved job satisfaction.

The study concludes that contractualization continues to shape the FRI labor landscape, affecting workers' well-being and work-related attitudes. Policymakers, employers, and labor organizations must collaborate to strengthen labor protections, promote fair employment practices, and enhance compliance with labor standards, thereby ensuring equitable work conditions for all employees in the fashion retail sector.

Keywords: Contractualization, fashion retail industry, job quality, work-related attitudes

Introduction

The FRI faces significant challenges related to human resource management, including financial performance, talent shortages, high employee turnover, and compensation-related concerns. Among the most persistent labor issues is the rise of non-standard employment (NSE). In the Philippines, NSE encompasses various employment arrangements, including probationary work, contractual work, project-based work, seasonal work, casual work, agency-hired work (outsourced labor), and disguised self-employment (Serrano, 2014).

A term commonly associated with NSE in the Philippines is "contractualization," referring to the repeated hiring of employees on short-term contracts through manpower agencies. This employment model has become widespread in the FRI, as fashion retailers seek to expand their store footprints, accommodate increasing consumer demand, and manage labor costs. To achieve greater workforce flexibility

and cost efficiency, many companies outsource sales personnel from manpower agencies, rather than employing them directly.

The prevalence of NSE and the employment precarity associated with it has made contractualization a national labor issue. During the 2016 Philippine presidential elections, contractualization became a central topic in political discourse, particularly during the final presidential debate on April 24, 2016. Former President Rodrigo R. Duterte pledged to end contractualization, highlighting the need for labor reform. However, despite political commitments, contractual employment continues to be widely practiced, raising concerns about job security, worker welfare, and employment stability.

The insecurities and vulnerabilities linked to NSE, particularly in the context of contractualization, have significant implications for job quality and work-related attitudes. Research suggests that temporary employees report lower job satisfaction, particularly in relation to job security (Dawson et al., 2017). Employees engaged in short-term and outsourced work arrangements often experience higher levels of stress, reduced workplace commitment, and limited career advancement opportunities, which in turn affect their work performance and organizational engagement.

Given these concerns, one of the key challenges for human resource (HR) management in the FRI is to examine how contractual and outsourced employees perceive job quality, their work-related attitudes, and the factors influencing these perceptions. Furthermore, identifying industry best practices aimed at the regularization and protection of contractual employees is crucial in improving job quality and workforce retention. Understanding the factors that drive retailers to adopt ethical employment practices can contribute to the development of labor policies and HR strategies that enhance job performance and employee well-being within the Philippine fashion retail sector.

This research looks into how contractualization impacts job quality and work-related attitudes of contractual workers and outsourced employees in a selected fashion retail company and an outsourcing company. It aims to examine the extent of contractualization in the Philippine FRI, identify the most dominant forms of non-regular employment, and

explore the key drivers behind its adoption. Additionally, the research seeks to evaluate the effects of contractualization on critical indicators of job quality—such as work schedules, compensation, benefits, and workplace conditions—and how these impacts shape the work-related attitudes of affected employees. Factors such as employee demographics and employment categories were also considered to understand how they mediate these outcomes.

Using a mixed-method approach, data were gathered from a sample of 90 respondents in the National Capital Region (NCR) through surveys, focus group discussions, and KIIs. The study is limited in scope to a single company and its outsourcing agency, potentially constraining the generalizability of the results to the broader industry. Furthermore, data collection was geographically restricted to the NCR, which may not capture regional disparities in employment practices and worker experiences. Despite these limitations, the study offers actionable recommendations for HR practitioners, policymakers, and industry stakeholders to enhance job quality and foster equitable labor practices.

Review of Related Literature

Concept and Characteristics of NSE. The degree of precarity in NSE varies across countries, influenced by labor market structures, employer practices, and regulatory frameworks (ILO, 2016). A common form of NSE is agency-hired work, which allows employers to reduce labor costs and bypass standard employment protections, as agency workers are often excluded from benefits provided to regular employees.

Agency-hired employment is marked by a triangular relationship among the manpower agency, client company, and worker. While the agency manages contracts and wages, the client company oversees daily supervision, creating ambiguity in accountability and employer responsibility (ILO, 2009). This setup often leaves workers vulnerable to insecure job tenures and unclear employment status.

Serrano (2014) notes that these arrangements can involve multiple layers of subcontracting, with workers being frequently reassigned across firms, resulting in unstable employment and limited career

progression. Agency workers are especially common in services and manufacturing sectors, where labor demand is highly variable.

While NSE enables labor flexibility, it also raises critical concerns around job security, equitable compensation, and access to labor rights. The proliferation of subcontracted and agency work highlights the need for stronger enforcement mechanisms to ensure fair treatment and protection for all workers, regardless of employment type.

Expansion of NSE in the Philippines. The rise of NSE in the Philippines is largely driven by economic restructuring, globalization, and technological innovation. As industrialization declined and the service sector expanded in the 1980s, firms increasingly adopted flexible labor strategies to reduce costs and adapt to market fluctuations (Serrano, 2014). This shift, supported by relaxed labor regulations, led to widespread use of temporary, contractual, and agency-hired workers.

The Bureau of Labor and Employment Statistics (BLES) defines agency-hired workers as individuals employed through contractors to perform specific tasks for a principal company within a fixed period, under a service agreement (Serrano, 2014). These include casual, project-based, seasonal, and probationary workers. According to the 2010 BLES Integrated Survey, non-regular employment rose by 16.2% between 2008 and 2010, with contractual/project-based workers showing the highest growth (Serrano, 2014).

From 2008 to 2016, contractual workers accounted for over half (50.4%) of all non-regular employees, followed by probationary (24.4%) and casual workers (16.9%) (Serrano, 2014). By 2016, non-regular workers made up 48% of employment in formal establishments with at least 20 workers. In 2020, the administrative support (29.79%) and construction (18.43%) sectors had the highest shares of NSE, followed by manufacturing, retail, and education (PSA, 2020).

While some industries experienced NSE growth—such as arts and recreation (61.39%) and construction (49.1%)—others saw declines, particularly manufacturing (-140,666 workers) and retail (-78,100). Despite these variations, NSE remains a core component of the Philippine labor market.

Though NSE provides labor flexibility, it often entails job insecurity, wage inequality, and limited social protections. Its persistence highlights the urgent need for stronger regulatory oversight to ensure fair treatment, benefits, and career development for non-standard workers (ILO, 2016).

International Players versus Local Fashion Industries: An Overview.

The Philippine FRI is marked by a strong interplay between international and local brands. Global players such as Mango and Uniqlo have expanded their presence by opening larger stores to cater to the growing middle class with rising disposable income and increasing exposure to global fashion trends (Euromonitor International, 2017). Despite intense competition, international brands continue to benefit from consumer preference for foreign styles and labels.

However, local companies like Golden ABC and Suyen Corporation remain competitive, holding 4% and 3% market shares, respectively. Their success is driven by affordability, strategic marketing, and endorsements from both local and international personalities (Euromonitor International, 2017). These firms leverage modern retail strategies and digital platforms to maintain their market relevance.

Company F, a notable local fashion retailer, seeks to lead the Philippine market while expanding globally. It emphasizes product quality and workforce excellence, supported by structured training and performance-based employment progression. Sales managers undergo a 1-month training, followed by a 6-month probationary period, with regularization contingent on key performance indicators.

The company employs a mixed staffing model: 38% of sales staff are directly hired, while 62% are agency-hired. Both groups may attain permanent status through strong performance. At the head office, 75% of employees are regular, while 25% are probationary and evaluated by their fifth month of tenure.

Company F's hybrid employment structure reflects industry-wide trends toward balancing flexibility with pathways to job regularization. As local brands adapt to a competitive landscape, effective workforce strategies and strong brand positioning remain critical for sustained growth and global aspirations.

Job Quality and Indicators of Work-Related Attitudes. Job quality and employee attitudes are shaped by motivation, employment stability, and workplace conditions. Motivation arises from individuals' efforts to fulfill perceived needs, with satisfaction or frustration depending on whether these needs are met and influenced by personality and work experiences (Salinas, 1996).

Job satisfaction, a multidimensional concept, varies based on the importance individuals assign to aspects like compensation, supervision, and security (Salinas, 1996). The job satisfaction cannot be measured through a single, additive score since employees assign different levels of importance to various job factors (Salinas, 1996). Similarly, Herzberg's Two-Factor Theory also emphasizes the role of both intrinsic and extrinsic factors in determining satisfaction and dissatisfaction (Salinas, 1996).

Temporary employment is linked to lower job satisfaction due to job insecurity (Dawson et al., 2017). Casual workers report the lowest satisfaction, particularly concerning job stability, which often deteriorates further during transitions between employers (Dawson et al., 2017). While some workers value the flexibility of NSE, long-term dependence on temporary work can result in precarious employment cycles (Dawson et al., 2017).

The International Labour Organization (ILO) identifies seven dimensions of insecurity for NSE workers: employment status, earnings, hours, occupational safety, social protection, training, and collective representation (ILO, 2016, p. 14). Transition rates from temporary to permanent roles remain low, often under 50%, with limited access to unemployment benefits, particularly in countries with strict eligibility criteria (ILO, 2016, p. 15). Training is generally minimal in low-skill, standardized jobs and greater in roles linked to screening or apprenticeships (ILO, 2016, p. 17). Additionally, barriers to union participation further restrict NSE workers' rights and protections (ILO, 2016, p. 18).

In summary, job quality and employee satisfaction are influenced by multiple dimensions, including employment status, financial security, workplace conditions, and career progression opportunities. While temporary employment can provide an entry point into the labor

market, its long-term impact often leads to job instability, wage insecurity, and limited access to social protections. Addressing these challenges requires policy interventions, improved labor regulations, and greater efforts to integrate NSE workers into stable employment structures (Dawson et al., 2017).

Methodology

This study employs a mixed-methods research design, specifically a convergent parallel approach, to comprehensively analyze the impact of contractualization on job quality and work-related attitudes in the Philippine FRI. The research integrates quantitative and qualitative methods to address its objectives. To provide an in-depth examination, a prominent fashion retail company and its outsourcing partner were purposively selected. The company was chosen based on industry relevance, prevalence of non-standard employment arrangements, and accessibility for research purposes. As a well-established brand, it employs a significant number of direct contractual and outsourced workers, making it a representative case for studying the effects of contractualization in the FRI. Additionally, the company's structured employment policies and engagement with an outsourcing agency provided an opportunity to compare the experiences of different employment categories. The institution's willingness to participate ensured access to employees for surveys, focus group discussions (FGDs), and KIIs, allowing for a detailed exploration of job quality and work-related attitudes.

Quantitative data were collected through structured surveys administered to 90 respondents, comprising direct contractual and outsourced employees. The surveys consisted of Likert-scale and closed-ended questions, allowing for quantitative measurement aimed at measuring job quality indicators such as work schedules, compensation, statutory and company-initiated benefits, and workplace conditions, as well as work-related attitudes like job satisfaction and organizational commitment. Qualitative data were gathered through FGDs and KIIs to gain deeper insights into employee experiences and managerial perspectives. FGDs explored the employees' lived experiences with contractualization, focusing on job security, benefits, and workplace conditions, while KIIs captured

managerial perspectives on employment practices, compliance with labor regulations, and strategies for improving job quality.

To ensure methodological rigor, data collection instruments were carefully designed and pilot-tested before implementation. The survey instrument underwent pre-testing to refine question clarity and improve its effectiveness in measuring job quality and work-related attitudes. The FGD guide and KII protocol were also reviewed to confirm their appropriateness in eliciting meaningful responses. The FGD guide facilitated in-depth discussions on employees' perceptions of contractualization, while the KII protocol structured interviews with managers and supervisors to capture organizational policies and employment strategies. Data analysis followed a structured approach, with survey responses processed using the Statistical Package for the Social Sciences to generate descriptive statistics, cross-tabulations, and correlation tests. Qualitative data from FGDs and KIIs were transcribed, coded, and analyzed thematically, identifying recurring patterns related to contractual employment and its effects on job quality.

To enhance the trustworthiness and validity of the study, multiple measures were implemented. Pre-testing of the survey instrument ensured clarity and reliability. Triangulation was applied by comparing survey results with qualitative findings to validate emerging themes. Member checking was conducted, allowing participants to review transcripts and verify the accuracy of their responses. Detailed documentation of data collection and analysis further strengthened the study's reliability. Ethical considerations were strictly observed, ensuring informed consent, confidentiality, anonymity, and voluntary participation. The integration of both quantitative and qualitative findings provides a holistic understanding of the dynamics of NSE in the FRI, offering valuable insights for policymakers, HR practitioners, and industry stakeholders in shaping labor policies and improving job quality.

Findings and Analysis

Contractualization in the FRI in the Philippines. Contractualization remains prevalent in the industry and is the common practice of many employers through manpower agencies. Under this arrangement,

the worker's employment contract ends before the sixth month is completed, and neither s/he is hired as fixed term nor probationary.

	Contractual	Percent Distribution
Company F	46	51.11%
Company T	44	48.89%

Direct contractual employees under Company F account for 51.11% of the workforce, whereas 48.89% are outsourced workers under Company T. The majority of these employees are engaged on a short-term basis, particularly during seasonal demands. The reliance on manpower agencies allows companies to manage labor costs effectively while addressing fluctuating workforce needs.

Dominant Forms of Non-Regular Employment in the FRI. The study identified four types of employment in the industry, with fixed-term contracts emerging as the most dominant.

Employment Type	Percentage
Fixed-Term	56.67%
Project-Based	20%
Probationary	4.44%
Permanent Outsourced	18.89%

The majority (56.67%) were fixed-term employees, followed by project-based employees, who comprised 20%. It is interesting to note that there were 18.89% permanent outsourced workers. These are the workers who are permanent employees of the outsourcing company. Probationary employees comprised the smallest number among the respondents (4.44%).

Drivers of Contractualization. In the Philippines, there are various forms of NSE: probationary work, contractual work, project-based work, seasonal work, casual work, agency-hired work (also known as outsourced work or labor contracting), and disguised or bogus self-employment (Serrano, 2014, p. 1). An increase in the share of employees in NSE in the total number of wage and salary workers is a trend that has been observed in the country. The major drivers of contractualization include cost reduction, seasonal hiring needs, and compliance with labor regulations. Employers often opt for short-term

and outsourced work arrangements to manage expenses while ensuring operational efficiency. Additionally, DOLE has implemented regulatory measures such as DO No. 174-17 and Executive Order No. 51 to oversee contractual employment practices and ensure compliance.

The DOLE conducts inspections to monitor adherence to labor standards. These inspections are categorized into general and technical assessments, covering working conditions, safety protocols, and compliance with employment regulations. Companies like Company T comply with these regulations, ensuring that their outsourcing practices meet industry standards.

Impact of Contractualization on Job Quality Indicators. A fixed-term type of employment contract is beneficial for each employee, since it provides greater scheduling flexibility, or a voluntary sorting in such jobs, which may be considered as stepping stones toward permanent employment (Dawson, et al., 2017, p. 83). The employment status of direct contractual employees and outsourced workers impacts identified indicators of their job quality, such as their work schedule, job tasks and assignments, base salary, overtime, statutory benefits, company-initiated benefits and working conditions at the workplace.

Work Schedule and Overtime. Within the selected FRI, particularly in the sales department, the Store Sales Manager or Store Supervisor is responsible for managing and supervising the work schedule of both directly hired contractual workers and agency-hired workers. These supervisors oversee the tasks assigned to employees, monitor their performance, and evaluate their outputs. Agency-hired workers are typically given individual sales quotas as part of their monthly output expectations.

Most of the respondents (97.78%) reported earning the minimum wage and receiving daily wages for the actual days worked, including unworked regular holidays. During mall-wide sales, store openings, or inventory audits that required extended working hours beyond 10 p.m., 75.56% of employees received a night shift differential, which provided an additional 10% on their regular wage for each hour of work performed. Additionally, 90.91% of outsourced workers and 60.87% of direct contractual employees were scheduled for closing shifts.

Salary and Benefits. The provision of the 13th-month pay varied across employment categories. In December, 74.44% of the respondents received their 13th-month pay. Among them, 54.35% were direct contractual employees whose contracts ended before December but had completed their clearance processes and received their 13th-month pay in their final salary. Meanwhile, 38.84% of respondents were eligible for service incentive leave, with outsourced workers comprising the largest proportion.

Statutory benefits received	Employment Type				Total	
	Direct Contractual Employees (Company F)		Outsourced Workers (Company T)			
	n	%	n	%	n	%
Social security benefits	46	100.00	44	100.00	90	100.00
Overtime Pay	42	91.30	44	100.00	86	95.56
Minimum Wage	45	97.83	43	97.83	88	97.78
Holiday Pay	37	80.43	44	100.00	81	90.00
Nightshift Differential Pay	28	60.87	40	90.91	68	75.56
13th-Month Pay	25	54.35	42	95.45	67	74.44
Service Incentive Leave	1	2.17	17	38.64	18	20.00
Transportation Allowance	6	13.04	10	22.73	16	17.78

Workplace Conditions. Most employees rated their workplace conditions as “very good” or “good.” Contributing factors included noise levels, temperature, ventilation, illumination, working space, passageways, and physical orderliness.

Employees’ Primary Determinant of Job Satisfaction. Employment conditions play a critical role in shaping job quality and employee well-being. Key factors such as compensation, workplace safety, benefits, and social security significantly affect work performance. Among these, base pay emerged as the primary determinant of job satisfaction (26.67%), particularly for sales employees who were often the primary income earners in their households. Employees reported satisfaction with their compensation, noting its direct influence on their motivation and performance.

Factors most strongly affect employees' satisfaction with their work	Employment Type					
	Direct Contractual Employees (Company F)		Outsourced Workers (Company T)		Total	
	n	%	n	%	n	%
Base Pay	13	28.26	11	25.00	24	26.67
Overall Satisfied	9	19.57	11	25.00	20	22.22
None	11	23.91	5	11.36	16	17.78
Career Progression	2	4.35	11	25.00	13	14.44
Process to determine promotions	3	6.52	0	0.00	3	3.33
Bonus	2	4.35	2	4.55	4	4.44
Future Career Progression	4	8.70	0	0.00	4	4.44
Vacation time received	1	2.17	1	2.27	2	2.22
None of the above-mentioned factors	1	2.17	1	2.27	2	2.22
Other benefits of the company	0	0.00	1	2.27	1	1.11
Process to determine annual raises	0	0.00	1	2.27	1	1.11
HMO	0	0.00	0	0.00	0	0.00

A significant majority of respondents (85.56%) reported being completely satisfied, very satisfied, or somewhat satisfied with their base pay. Employees receive the minimum wage as prescribed by the Regional Tripartite Wages and Productivity Boards and are compensated for both the days they actually worked and unworked regular holidays.

Agreed statements on company benefits.	Employment Type					
	Direct Contractual Employees (Company F)		Outsourced Workers (Company T)		Total	
	n	%	n	%	n	%
(a) Your base pay						
Completely Dissatisfied + Very Dissatisfied + Somewhat Dissatisfied	1	2.17	0	0.00	1	1.11
Neutral	7	15.22	5	11.36	12	13.33
Completely Satisfied + Very Satisfied + Somewhat Satisfied	38	82.61	39	88.64	77	85.56
(b) Your bonus						
Completely Dissatisfied + Very Dissatisfied + Somewhat Dissatisfied	29	63.04	19	43.18	48	53.33
Neutral	4	8.70	8	18.18	12	13.33
Completely Satisfied + Very Satisfied + Somewhat Satisfied	13	28.26	17	38.64	30	33.33

(continuation)				Employment Type						
Agreed statements on company benefits.				Direct Contractual Employees (Company F)		Outsourced Workers (Company T)		Total		
(c) Your career progression at the company thus far?										
Completely Dissatisfied	+	Very Dissatisfied	+	Somewhat Dissatisfied	3	6.52	1	2.27	4	4.44
		Neutral			4	8.70	4	9.09	8	8.89
Completely Satisfied	+	Very Satisfied	+	Somewhat Satisfied	39	84.78	39	88.64	78	86.67
(d) Your possibilities for future career progression at the company										
Completely Dissatisfied	+	Very Dissatisfied	+	Somewhat Dissatisfied	4	8.70	4	9.09	8	8.89
		Neutral			4	8.70	4	9.09	8	8.89
Completely Satisfied	+	Very Satisfied	+	Somewhat Satisfied	38	82.61	36	81.82	74	82.22
(e) The vacation time you receive?										
Completely Dissatisfied	+	Very Dissatisfied	+	Somewhat Dissatisfied	19	41.30	3	6.82	22	24.44
		Neutral			7	15.22	7	15.91	14	15.22
Completely Satisfied	+	Very Satisfied	+	Somewhat Satisfied	20	43.48	34	77.27	54	43.49
(f) Your medical insurance or HMO?										
Completely Dissatisfied	+	Very Dissatisfied	+	Somewhat Dissatisfied	29	63.04	22	50.00	51	56.67
		Neutral			7	15.22	3	6.82	10	11.11
Completely Satisfied	+	Very Satisfied	+	Somewhat Satisfied	10	21.74	19	43.18	29	32.22
(g) What other benefits are offered by the company?										
Completely Dissatisfied	+	Very Dissatisfied	+	Somewhat Dissatisfied	12	26.09	12	27.27	24	26.67
		Neutral			5	10.87	3	6.52	8	8.89
Completely Satisfied	+	Very Satisfied	+	Somewhat Satisfied	29	63.04	29	65.91	58	64.44
(h) The process used to determine annual raises?										
Completely Dissatisfied	+	Very Dissatisfied	+	Somewhat Dissatisfied	32	69.57	22	50.00	54	60.00
		Neutral			6	13.04	4	9.09	10	11.11
Completely Satisfied	+	Very Satisfied	+	Somewhat Satisfied	8	17.39	18	40.91	26	28.89
(i) Your annual raise?										
Completely Dissatisfied	+	Very Dissatisfied	+	Somewhat Dissatisfied	33	71.74	17	38.64	50	55.56
		Neutral			6	13.04	4	9.09	10	11.11
Completely Satisfied	+	Very Satisfied	+	Somewhat Satisfied	7	15.22	23	52.27	30	33.33
(j) The processes used to determine promotions?										
Completely Dissatisfied	+	Very Dissatisfied	+	Somewhat Dissatisfied	13	28.26	5	11.36	18	20.00
		Neutral			3	6.52	3	6.85	6	6.67
Completely Satisfied	+	Very Satisfied	+	Somewhat Satisfied	30	65.22	36	81.82	66	73.33

Job satisfaction levels were further influenced by demographic variables. Employees with 1 to 6 months of experience constituted the largest segment, followed by those with 3 years of tenure, predominantly among outsourced workers. A notable share of outsourced employees had been with Company T for 7 to 8 years, transitioning from fixed-term employment to regular positions. Respondents aged 19-28 and 30-36 comprised the majority, reflecting a preference for hiring applicants with at least 6 months of prior sales experience. Furthermore, 46.67% had attained a college-level education, positioning them for career advancement opportunities such as Store Officer-in-Charge (OIC) or Store Supervisor roles. Some employees transitioned to lateral positions, including Visual Merchandiser.

Demographic Profile	n	Percent Distribution
Age		
19 – 25	38	42.22
26 – 30	38	42.22
31 – 35	11	13.33
36 and above	2	2.22
Educational Degree & Attainment		
High-School Level	14	15.56
High-School Graduate	24	26.67
College Level	42	46.67
College Graduate	10	11.11
Years of Service		
1 month to 6 months	48	53.33
7 months to 11 months	4	4.44
1 year	5	5.56
2 years	5	5.56
3 years	26	28.89
7 years	1	1.11
8 years	1	1.11
Employment Classification		
Fixed-Term	51	56.67
Probationary	4	4.44
Project-Based	18	20.00
Permanent	17	18.89
Sales Job Positions		
Sales Associate	64	71.11
Stock Custodian	3	3.33
Visual Merchandiser	2	2.22
Store OIC	10	11.11
Store Supervisor	10	11.11
Management Trainee	1	1.11

The majority of respondents were fixed-term employees; however, a significant number of outsourced workers held permanent positions. Sales associates, the largest group of employees, were responsible for organizing the store and promoting sales through positive customer interactions. Their performance was assessed based on work quality, efficiency, attitude, teamwork, reliability, and attendance. Many sales associates were promoted to Store OIC or Store Supervisor roles, while others trained as Visual Merchandisers, responsible for product display and branding.

Findings suggest that contractualization does not significantly impact job quality indicators or work-related attitudes. Many respondents expressed moderate job satisfaction and reported maintaining satisfactory performance levels.

Good Practices in the Industry. DOLE has implemented policies to safeguard contractual workers' rights while ensuring that employers engage only with legitimate and independent contractors. The issuance of DO 18-A in 2011 established new regulations implementing Articles 106 to 109 of the Labor Code of the Philippines concerning subcontracting. In 2017, DOLE introduced DO 174, which provided updated guidelines governing labor contracting and subcontracting, requiring all contractors to register with the DOLE Regional Office where they primarily operate.

Company T, an established outsourcing agency, maintains compliance with these regulations by possessing the necessary assets, capital, equipment, and workforce training. Holding a valid Certificate of Registration under DO 18-A, the agency provides both skilled and unskilled labor across multiple industries, including manufacturing, logistics, marketing, telecommunications, and finance. Having operated for 20 years, the company has deployed over 10,000 employees nationwide under structured service agreements.

Best practices within Company T support the regularization and protection of contractual employees. Among the 44 contractual employees surveyed, 39% were permanent outsourced employees. Employment classifications included fixed term (55%), permanent outsourced (39%), and probationary (7%). Most sales associates (47.73%) were responsible for store operations and customer

service, with 22.73% promoted Store OICs or Supervisors, and 4.55% transitioning to visual merchandising roles. Employees initially hired as fixed-term workers by Company F may transition to outsourced employment under Company T and later undergo evaluation for regular employment.

Employment Type (Company T)	Percentage
Fixed-Term	55%
Probationary	7%
Permanent Outsourced	39%

Compliance with labor laws is a key aspect of Company T’s operations. The majority of outsourced workers (97.73%) received minimum wage, while 2.22% earned slightly above minimum wage. Adjustments in wage rates, mandated by DOLE, are implemented automatically, with Company T and Company F renegotiating contract rates accordingly. Employees receive statutory benefits such as the Social Security System, PhilHealth, and Pag-IBIG contributions, which are consistently remitted as per labor standards. Additionally, outsourced workers are provided with personal accident insurance throughout their employment period.

Company T ensures that outsourced employees comply with workplace policies, rules, and regulations established by Company F. Supervision of outsourced workers remains the responsibility of Company T, which defines work methodologies and expectations. Consequently, Company F is not held liable for employment-related claims from outsourced workers, as contractual obligations remain between the worker and Company T.

Factors Influencing Retailers in Adopting Good Practices. Several factors contribute to retailers’ adoption of good labor practices. Some respondents reported tenure with Company F for up to 11 months, while a permanent outsourced worker had been employed for eight years. Others had been employed for approximately one year. Employees remained with the company due to job stability, a supportive work environment, and positive workplace relationships. Many respondents expressed high levels of job satisfaction, particularly in cases of career progression and alignment with their professional interests. However, some respondents provided neutral feedback.

The company was widely regarded as a favorable workplace, particularly for entry-level employees and first-time job seekers, as hard work was recognized and fairly compensated. Respondents also emphasized the importance of professional relationships, particularly with supervisors. Job satisfaction was significantly influenced by a positive rapport with immediate supervisors and colleagues, particularly when superiors actively listened to employees' suggestions and facilitated open communication.

Conclusion

This study examined how contractualization affects job quality and work-related attitudes among direct contractual and outsourced employees in the FRI. Findings show that Companies F and T comply with DOLE regulations regarding salary, work hours, benefits, and conditions. These factors—particularly base pay, which is vital to breadwinning employees—directly influence overall job satisfaction.

However, the practice of outsourcing regular sales functions to manpower agencies introduces a negative outcome: workers in these roles receive fewer protections and benefits, reflecting a broader trend in the industry toward cost-efficiency over employment stability. Despite regulatory efforts such as DOLE's DO No. 174 and Executive Order No. 51, the persistence of labor-only contracting continues to pose challenges to job security and equitable treatment.

The study also found that beyond basic employment conditions, employees value opportunities for skill development and internal mobility. Many respondents cited career advancement, training, and recognition as key contributors to their satisfaction—aligning with Herzberg's motivation-hygiene theory. Employees across educational backgrounds progressed through defined career paths, reinforcing the importance of accessible growth opportunities in fostering positive work attitudes.

In sum, while compliance with labor standards is foundational to job quality, the integration of professional development pathways is equally essential. Companies aiming to enhance employee satisfaction must balance regulatory adherence with investments in employee

growth, particularly in sectors characterized by high reliance on non-standard employment.

Implications and Recommendations

This study examined the effects of contractualization on job quality and work-related attitudes among direct contractual and outsourced workers in the FRI. While Companies F and T demonstrate compliance with DOLE regulations on employment terms, compensation, and working conditions, further action is needed to close policy gaps, prevent circumvention, and promote more stable employment practices. The following recommendations are offered:

Policy-Level Recommendations

The DOLE should strengthen the enforcement of DO No. 174-17 by explicitly prohibiting the outsourcing of positions that involve core or regular business functions. This would address legal ambiguities and prevent the misuse of contractual arrangements for permanent roles, reinforcing workers' rights to security of tenure.

Industry and Organizational Recommendations

FRI Companies and Outsourcing Agencies. Fashion retailers should regularly review their contracting arrangements to ensure compliance with labor standards. Partnerships with manpower agencies must be audited to avoid labor-only contracting. Where feasible, companies should transition outsourced roles into direct employment, especially for long-term and business-critical positions.

Store-Level Management. Store Sales Managers should enhance support for both direct-hired and outsourced staff by:

- Setting clear expectations and offering structured training.
- Conducting performance evaluations that inform career advancement.
- Recognizing top performers to boost engagement.

Additionally, companies should align employee development with Key Performance Indicators and invest in skills training. Marketing

strategies should leverage digital platforms to drive sales, enabling frontline workers to meet targets.

Outsourcing Agencies. Manpower firms must go beyond minimum standards by:

- Expanding HMO coverage and employee support programs
- Providing comprehensive onboarding, product training, and soft skills development.
- Organizing inclusive employee events to foster belonging.
- Ensuring fair grievance mechanisms and ethical handling of terminations.

Employee-Level Recommendations

Contractual and outsourced workers should actively pursue upskilling through TESDA and other free vocational training programs. Building adaptable skill sets can improve employability and provide buffers against economic disruptions. Workers are also encouraged to pursue financial literacy, establish emergency savings, and explore alternative career paths such as freelancing or entrepreneurship, particularly in digital and service-based sectors.

Summary

Improving job quality in the FRI requires coordinated efforts among government, industry, employers, and workers. Regulatory reforms, ethical employment practices, and continuous skill development are essential to foster a stable, inclusive, and future-ready workforce.

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