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The Effect of Temporary Employment on Employee's Productivity. A Case Study of a Microfinance Bank

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Abstract

Employees are the first customer of any organization. they produce goods and provide services using their knowledge, skill, education and experience to add value to the organization, and as such should be rewarded accordingly in terms of incentives and employment benefits. The purpose of this study is to examine the impact of temporary employment on employee productivity. The study adopted a descriptive design and a sample size of 100 temporary employees was selected using convenience sampling, of which there is a return rate of 70%. Data was collected through the use of two research instruments, one on employee productivity and the other on temporary employment with five Likert scale, ranging from strongly disagree to strongly agree. Results show that there is a positive relationship between temporary employment and employee productivity, and it has a great effect on employee's productivity. Employees took up temporary employment as an alternative to lack of permanent employment, and with the hope of gaining permanent employment in the longer term. This motivated them to work harder to enhance their performance. Based on the findings, this study recommends that in future research can be carried out comparing the performance of permanent and temporary employees to establish whether there exists a gap. It also recommend that the management should enact a policy that gives preference to temporary employees already in the system when recruiting permanent employees. This will go a long way in encouraging employees to be more committed to their jobs.

Keywords: Temporary Employment, Employee Productivity. Commitment

1. INTRODUCTION

Employees are the greatest capital resources that every organization has, and as such must be given priority in order to get the best from them. Temporary employment is organization recruiting for a short period of time and can be renewed after expiration and if service is still needed (bassanini & cingano 2017). *Crytal Vogt (2018) mentions several factors that determine reasons why organization adopt temporary employment which are Economic factor, as a result of recessions and when there is high rate of unemployment or decrease in demands, steaming from change in customer taste. The second reason is Technological Advances and automation factor as computer operated machines are preferred in some job than human effort thereby leading to low employment in the labor market. The third reason is Corporate values, if an organization is not a ethical one, it would negatively affect their reputation which in the long run affect their chance of employment right candidate and commitment employee so might result to temporary emploement to meets their demands.*

The last one is Seasonal fluctuation, there are some fluctuations in certain industries that can affect employment. Such as agriculture, construction company. Some seasons may require more hands, leading to temporary employment which some season with lower demands which makes organization employ temporary worker in which it would be easy to lay off in dry and decreased order season.

1.1 Problem Statement

The practice of temporary employment is becoming rampant concept in the work place and a domineering part of workforce. It is a short term employment or agreement between the employer and employee. Although the organization use it to reduce their cost, yet it does more harm than good to the organization, because it reduces employee commitment towards the job and the organization, leading to low productivity. (Organ & Ryan, 1995). Wandera, 2011 mentions that organization employ or hire temporary Employees for three reasons, for cost reduction, flexibility staffing and ease of dismissal. Since employment around the world has become more competitive and unstable, organisations tend to offer more flexible employment conditions, focusing on potential problems such as lower demand of the market and the possibility of lay-offs. One of the actions taken is to hire and fire employees according to the requirements at hand.

The use of temporary employment is a way to achieve this, allowing the organizations to avoid paying all compensations associated with firing permanent workers (Gallagher & Mclean Parks, 2001). Organisation employ people on short term contract and it cut across various sector, academic industry to government agencies and private enterprise. (Waijjer et Al 2017). Fresh graduate are caught in the web. Flexible work schedules escape from cost associated with permanent employment, they are denied some rights, barred from joining trade union, no pension and denied some basic rights. no statutory benefits, no pension, insurance, and no paid leave that leads to positive word attitude and behavior. (Juma,2015. Pedulla, 2013). Godfrey, 2018. Temporary employment is likely to breeds lack of commitment, high rate of absenteeism. It give rise to job insecurity, uncertainty and unpredictability, which are related to poor productivity. (Cheng & Chan, 2008)

1.2 Significance of Study

This research would be of great use to the organization researched about in making decisions and policies as to how to motivate their temporary employees to higher productivity. It would also influence other organizations that has hired or intend to hire temporary employees on the likely implications and how to overcome those challenges. It would be of great importance to other researchers in this field, by using the study recommendation and finding to expand their areas of research. It would also be of great benefit to temporary employees, by opening them to the likely effect of the temporary employment on them and how it can be tailored towards high productivity.

1.3 Research Objectives

This study were guided by the following research objectives

- To know the relationship between temporary employment and employee's productivity.
- To determine the effect of temporary employment and employee's productivity.

1.4 Research questions

The research question of the study were established to ascertain the influence of temporary employment on Employee Productivity.

- What is the relationship between temporary employment and employee's productivity?
- What is the effect of temporary employment and employee's productivity?

1.5 Research Hypothesis

- H₁: Temporary employment has a positive relationship with employee's productivity.
- H₂: Temporary employment has a negative impact on employee's productivity.

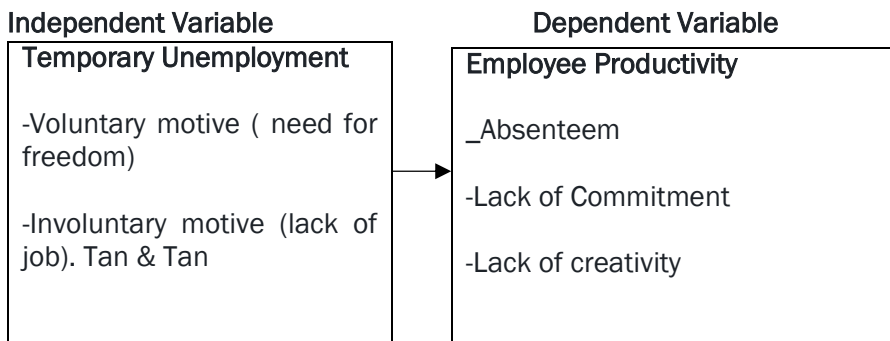


Figure 1: Research Model

2. LITERATURE REVIEW

2.1 Temporary Employment

Temporary employment (TE) is not the same as standard employment. It was introduced in 1970s when there is high rate of unemployment in Europe. It has being on the increase since then as organization use it as an alternative to achieve more with less resources. It play a big role, because it's easy to hire and terminate, and pose less risk to the organization. Organization make use of TE during high demands or for some seasonal work. It is defined as an employment situation where the working arrangement is limited to a certain period of time based on the needs of the employing organization. (Erin Hatton 2013.)

2.2 Theoretical Framework

Self Determination Theory

It was proposed by Ryan & Deci, (2001). It mentions two types of motivation as Autonomy, and Controlled. This theory stipulate that when employee source of motivation for picking up a temporary employment is Autonomy, their well being is improved in the process and more likely to have high productivity. On the other hand, if employee reason for picking up TE is controlled motivated, it simply means such an employee is forced to take up temporary employment, due to their prevailing situation as inability to get a permanent job, then such employee is likely to be less committed to work, leading to low productivity.

It depends on the reason and motive for taking up a temporary employment. Autonomy is intrinsic in nature while controlled is extrinsic in nature. If an employee's motive is extrinsic, then money, benefit, promotion and power are likely factors that would motivate them to high productivity, but if their motivation is intrinsic, then relationship, self development, transcendence and work itself are likely to motivate them to high productivity.

Equity Theory

Tan & Tan (1965) propose on how people perceive fairness in treatment of them and their colleague, to see if the process of distribution and the content is perceived equitable, then they are motivated to high productivity and if otherwise, they are demotivated. They compare their input and outcome ratio of theirs with others at work to check if it's same or otherwise. A temporary employee compares his input and rewards system with those of permanent employment and if any injustice is perceived, he is likely to reduce effort or input. (Parker, 1994).

Temporary Employment and Employee Productivity

According to Muhammad et al, (2011), result shows that employee has strong association towards job security and incentives and it increases their job performance.

Domenico et al, (2017). found that TE has a negative impact on employee productivity and does more damage in the skilled sector. While (Damiani & Pompei (2010). Nielsen & Schier, S (2016) find a U shape effect between the two variables. Kleinknecht et al, (2006) found no significant impact in the manufacturing sector, among innovators, he found no effect while he found a significant effect among non innovator and as such concludes that the impact TE on employee productivity differs according to different sectors.

Ongera, & Dennis, (n.d) results shows that there is a positive relationship between temporary employment and employee productivity, that employee sees it as an alternative for lack of job, hoping that the temporary employment will in the long run be converted to a long term basis. It's also seen as a means to increase their employability, which keeps them motivated on the job leading to high productivity. Daisy & Zeinab, (2020) finds a moderate relationship, but a weak effect of TE on employee productivity. He also finds no significant difference between behavior of contract employee and permanent employee.

Felfe, Schmook, Schyns, and Six (2008) in his results finds that those who willing choose temporary employment show less commitment to work. Millward and Hopkins (1998) also support the fact that permanent employees tends to show higher commitment to work than temporary employees. Engellandt and Riphahn (2005) observed even a higher level of employee effort in temporary works compared to permanent workers. They argue that temporary workers are more likely to work harder, although this performance level is more commonly found among employees that have a possibility of going upwards in the organization.

Kalleberg and Rognes (2000) discovered that lack of trust between employer and employee relations, perceived unfairness by the temporary employee in comparison to the permanent employee, can result in lower affective attachment, thereby reducing the commitment level of temporary employees to their job and their organization. De Cuyper and De Witte (2006) found no significant differences, between temporary and permanent workers regarding job performance and life satisfaction.

3. METHODOLOGY

This study investigate the relationship between temporary employment on employee productivity. Quantitative approach was used and the population of the study is a microfinance bank volk branch 174 badagry express way Lagos State. A sample of 100 employees were distribute questionnaire to based on convenient sampling method. The response rate was 70%. Questionnaire items are 20 and all variables were calculated on 5 likert scale ranging from strongly disagree to strongly agree. Data was analysis using statistical package of social science (SPSS). Correlation analysis was adopted, as well as regression and descriptive statistics. Cronbach Alpha test was applied on the questionnaire with 0.8% reliability which is accepted.

Discussion and Findings

It is evident that employee productivity is essential for any organization survival and performance. Temporary employee who have worked within the year of 2-5 years are the most populated are 43%, followed by those who have worked 6 – 9 years Which are 38%, followed 10-11 years are 10% and above 11 years are 6% and lastly less than 1 years are 3%.

Temporary staff who agrees that expectation to gain permanent employment drives them to high level of productivity were 40% , while those who strongly agrees are 23%. Those who are neutral are 16% and those who disagree are 20% and 1% strongly disagrees. Temporary staff who agrees that when permanent employment seems not forth coming, it impact their productivity negatively are 49%, and those who strongly agrees are 16% and those who disagree are 11%, and those who strongly disagree are 1% while 23% seems neutral.

Regardless of the temporary nature of employment, career development opportunity helped employee to stay committed to work. 37% of the employee agree to this statement and 17% strongly agree, while 23% stay neutral and 10% disagree and 13% strongly disagree. 43% of employee support that formal training enhances their productivity, when 38% disagree and 19% stayed neutral. Job autonomy given to the temporary employee helps them learn more and makes them efficient and effective 46% agrees and 31% disagree and 23% stays neutral.

4. CONCLUSION

We have studied the impact of the temporary employment on productivity, explicitly considering that temporary employment has a detrimental effect on productivity. The study found out that there was a positive relationship between temporary employment and employee productivity. Employees took up temporary employment as an alternative to lack of permanent employment, and with the hope of gaining permanent employment in the longer term. This motivated them to work harder to enhance their performance. The study also found out that the company was promoting the employability of the employees through coaching and work autonomy and enhancing their employment continuity through contract renewal. This gave the temporary employees a sense of job security which in turn enhanced their productivity. Results show that career development opportunity, formal training, expectation of permanent employment increases temporary employees productivity level.

5. RECOMMENDATION

Based on the findings the study recommends that organization should hire on permanent basis and if its needs arise to hire on temporary basis, those employee's effort and productivity should be recognized and rewarded accordingly. A study could also be carried out comparing the productivity of permanent and temporary employees in different sectors.

The study also recommends that the management should enact a policy which gives preference to temporary employees already in the system when recruiting permanent employees. It would go a long way in encouraging employees to be more committed to their jobs.

6. LIMITATION OF THE STUDY

Some of these challenges were encountered during the course of this study. Time constrains, there were no sufficient time to do a comparative studies of different kind. Financial constrain, there were no sufficient fund to do the printing cost, transportation. or Lack of cooperation from organization and its employees as they were not willing to disclose relevant information that could be helpful for this study.

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