

Impact of Perceived Equity of Contractual Employees on Productivity in the Work Place

Shruthi Bekal¹ And Dr Uma Warriar²

¹Lecturer-CMS and Research Scholar-Jain University, Bangalore

²Chief Counsellor and Professor of HRM-Jain University, Bangalore

Abstract: With IT boom, majority of the corporations have increasingly been recruiting their workforce on contract. Dearth of jobs and increase in population has caused the management to take an upper hand in calling the shots with regard to their HR policies. A major chunk of a company's workforce is constituted by the employees on contract. The HR policies are more in tune to provide to the needs of permanent employees – whether it is with regard to the salary policies or the reward and recognition programmes held at the company, the contractual workforce are seldom considered to be a part of the proceedings. The constant differential treatment regardless of the performance of the contractual resource over a period of time leads to a dissatisfied workforce. With time, there will be a marked reduction in the productivity of the organization.

John Stacey Adams, a workplace and behavioural psychologist, put forward his Equity Theory on job motivation in 1963. There are similarities with Charles Handy's extension and interpretation of previous simpler theories of Maslow, Herzberg and other pioneers of workplace psychology, in that the theory acknowledges that subtle and variable factors affect each individual's assessment and perception of their relationship with their work, and thereby their employer. When people feel fairly or advantageously treated they are more likely to be motivated; when they feel unfairly treated, they are highly prone to feelings of disaffection and demotivation.

This study aims to understand the correlation between the treatment of the contractual resources and its impact on their performance.

Keywords: Contractual employees, Perception, Equity, Organizational Justice

I. Introduction

Contractual workers form a major portion of the employee workforce in any organization regardless of the type of industry. Demanding work hours and increasing expectation from the management means that everybody in the company, regardless of the type of employment, will have to put in 100% effort if not more. When we expect equal contribution from everybody, it's imperative that everybody be treated equally. However, this is not mirroring reality. Majority of the companies have policies that reflect their outlook towards contractual resources. The policies differentiate between employees and contractual resources with zero regard to equality in treatment. Since majority of the workforce is made up of people on contract, this differential treatment results in a major chunk of disheartened and demotivated workforce. Management needs to understand the importance of equity in treatment. This will ensure better morale amongst the workforce as well as better productivity for the management.

II. History of Contractual Workforce

Indian contract law is heavily influenced by the British which in turn was heavily influenced by the Ancient Greek and the Roman thought. Consequently, English contract law was affected by its trading relations with northern Europe. Then came the industrial revolution. Collective bargaining and growing number of employment rights carried the employment contract into an autonomous field of labour law where workers had rights, like a minimum wage, fairness in dismissal, the right to join a union and take collective action, and these could not be given up in a contract with an employer.

III. Theoretical frame work of the study

This paper draws inputs from the theoretical frame work set by Stacey Adams (1965) equity theory. Equity theory describes how inequities in pay makes employees behave in different ways to stabilize the perceived inequity. According to this theory, individuals are motivated by fairness and if they perceive inequity or differential treatment on comparing themselves to a referent group, they will seek to adjust their output to reach their perceived equity. Adams suggested that higher an individual's perception of equity, the motivated they will be and vice versa; if one perceives an unfair environment, they will be de-motivated. Input includes time, education, effort, loyalty, hardwork etc put in by the individual. Outcomes are positive or negative consequences that the individual perceives a participant has incurred as a result of his/her relationship with

another. Typical outcomes include job security, salary, employee benefits, recognition, responsibility, reputation etc. (John Stacey Adams, 1965)

IV. Literature Review

Literature review considered for this exploratory research revolves around different aspects of perceived equity and personal and organizational outcome.

V. Contractual Labour

Trade unions have been constantly fighting for equality. According to Economic Times (Yogima Sharma, 2015), with the recent news on Labour ministry examining proposal to bring wages of contract workers at par with regular workers, evoking strong reactions from trade unions that allege that the government is backpedalling under pressure from corporate. In their defence, Contract workforce accounts for 55% of public sector jobs and 45% of private sector jobs in the country and raising their salary to the levels of regular workers would lead to significant cost escalation for employers. Employers mostly prefer contract workers owing to the flexibility of terminating their service as well as the fact that contract labourers are paid much less than permanent workers in a country like India with high unemployment levels.

According to Hillary Thomas Wandera St. Paul (2011) The use of temporary workers is growing rapidly. It has spread across industries—from manufacturing to services and other occupations, including construction workers, registered nurses, bankers, information technologists. The number of companies using temporary workers was on the increase as global competition increased and the urge to cut down on costs of undertaking businesses in order to remain competitive rises. The purpose of this study was to examine the effects arising from use of short term contractual employees by employers / organizations. The study used Kenya Forest Service, which had considerable large numbers of employees on short term contracts, as a case. The main objective of this study was to determine the effects of hiring staff on short term employment to an organization. On research methodology, the research was descriptive and utilized a case study approach to achieve the research objectives. The target population was permanent and temporary staff working in Kenya Forest Service. A sample of 51 temporary and permanent staff, representing 30% of all staff working in KFS Head Office was picked for the study. The research utilized both primary and secondary data. Primary data was collected through administration of questionnaire while secondary data was collected from in house text books, reports, journals, newspapers and company's website and publications. The data collected was analyzed using the spread sheets Windows 2007 and Statistical Package for Social Sciences (SPSS). The data was presented in tables, figures, charts, pie charts and graphs. The study found out that short term employment results to: unscheduled turnover in an organization, low staff morale and low productivity. Short-term employment affected productivity of staff in the organization since a lot of time and effort was used in training new employees as their turnover was high. The research also noted that the very nature of temporary employment increases feelings of divided allegiance on the part of temporary workers. This reduces their level of commitment and hence their productivity. To cope with the challenges of short term employment, the study found that Kenya Forest Service was implementing the following measures: gradually absorbing the temporary employees to permanent employment whenever suitable openings arose, provided on job trainings to short-term employees to equip them with skills so that they could be more productive and frequently reviewed the compensation and benefits terms for staff under short term contracts. Further recommendations were made for adaptation of short term employment contracts in times of economic difficulties; organizations implement proper human asset management practices by integrating temporary workers into the firms and that Companies offer induction and investment in skills by training in order to increase productivity and enhance employees' commitment to work. (Hillary Thomas Wandera St. Paul, 2011)

VI. Perception

According to Julian Hochberg (1956) the concept of the percept of the perceptual response, if it is to retain any useful meaning, requires definition at least in those situations where contradictory or controversial statements are made about it. Two sets of defining operations are suggested: (a) psychophysical scaling of experimental situations in terms of the immediacy or perceptual quality of the experiences they arouse; (b) the requiring of responses which cannot be made, by the naive subject, in the complete absence of the stimulus. The degree to which the presented stimulus fails to determine the response marks the ambiguity of the psychophysical relationship under a given task set. (Julian Hochberg, 1956)

According to Mcfarlin & Sweeney (1992), perceived justice is a predictor of personal aspects of work like pay satisfaction. Schappe. S (1998) found that perceived justice is an indicator of job satisfaction. According to a study conducted by Cropanzano (2001), an employee may perceive unfairness in payment if another employee receives better pay for same level of efforts.

In a field experiment conducted by Jerald Greenberg (1988) 198 employees in the underwriting department of a large insurance company were randomly reassigned on a temporary basis to the offices of either higher, lower, or equal-status coworkers while their own offices were being refurbished. The present study tested the hypothesis, derived from equity theory, that the status value of the temporary offices would create increases, decreases, or no change in organizational outcome levels. The resulting pattern of performance supported equity theory. Specifically, relative to those workers reassigned to equal-status offices, those reassigned to higher status offices raised their performance (a response to overpayment inequity) and those reassigned to lower status offices lowered their performance (a response to underpayment inequity). As hypothesized, the size of these performance changes was directly related to the magnitude of the status inconsistencies encountered. The value of these findings in extending equity theory to the realm of nonmonetary outcomes is discussed. (Jerald Greenberg, 1988)

VII. Perceived equity

According to the dictionary, equity is the quality of being fair and impartial. Perceived equity is what an individual feels in comparison to another.

VIII. Equity and Behaviour

The study conducted by Bonnie S O'Neill and Mark A Mone(1998) integrated measures of equity sensitivity and self-efficacy in an effort to better understand how these variables may affect job satisfaction, organizational commitment, and intent to leave. Equity sensitivity denotes how sensitive people are to overreward and underreward situations and has recently enhanced the accuracy of equity theory in predicting job satisfaction in social exchange situations. Self-efficacy, or task-specific self-confidence, is a central component of Bandura's social cognitive theory, and its influence on individuals' goals, efforts, and task persistence is well documented. Results from a field study of 242 employees in a health care firm support the moderating role of equity sensitivity in relations between self-efficacy and job satisfaction and between self-efficacy and intent to leave, but not between self-efficacy and organizational commitment. (Bonnie S O'Neill and Mark A Mone, 1998)

IX. Organizational Justice

Intra organizational factors like perceived organizational support and organizational justice within the organization can create different job attitudes like turnover intention. (Rigas, 2009)
The concept of organizational justice is generally explained in terms of perception of fairness in the workplace. (Greenberg and Phelon 2005)

According to a study conducted by Hassan Ali Al-Zu'bi (2010), there is a positive connection between organizational justice and job satisfaction. This study examined the relationship between of organizational justice encompassed by three components:(distributive justice, procedural justice and interactional justice) and job satisfaction, and employees' perceptions of workplace justice. The study investigated the relationship of these justice measures in the Jordanian environment. The data was collected through the distribution of questionnaires among 229 employees of Electrical Industrial Companies selected through a stratified random sampling. The study findings show that only one significant relationship exists between the age of respondents and their perceptions of organizational justice. The findings also suggested that this was positive association organizational justice and job satisfaction. Employee job satisfaction depends upon the organizational justice of managers. Nevertheless, in measuring the three dimensions of organizational justice, the current study used survey items that asked employees to respond to items that asked whether something is generally fair. Finally, although this study was conducted in Jordan, it is anticipated that the findings may have relevance on a broader scale. By replicating this study in different countries and contexts the results could be very helpful for developing a new model of organizational justice with new implementation techniques that can be implemented easily and successfully. (Hassan Ali Al-Zu'bi, 2010)

X. Observation

On completing an extensive secondary research and literature review, it can be concluded that there is a direct correlation between differential treatment of contractual workers and its impact on the performance of the contractual resources. Contractual workers seek equity and industrial justice. When they witness differential treatment meted out to them in terms of HR policies, remuneration programmes etc for similar nature of work done by them in comparison to the employees, they get de-motivated there by having a direct impact on their performance.

XI. Research Gap

Extensive research has been done on equity and industrial justice. However, little research has been done on the equity with regard to contractual resources in comparison to employees and its impact on the contractual resources' performance. This research attempts to bridge the gap and to help provide an insight to how the contractual workers get de-motivated and how their performance is impacted.

XII. Conceptual Model

This conceptual model draws a relation between treatment of contractual workers and their satisfaction level and productivity. Differential remuneration programmes, differential policies and Industrial injustice affects the behaviour of the contractual resources



XIII. Conclusion

On doing an extensive Secondary Research and Literature Review about the correlation between the differential treatment of contractual resources and their performance and satisfaction level, it has been concluded that this research will be taken a step forward by conducting a primary research on the differential treatment of the contractual workers and the impact it has on their performance by taking a sample size of 150 contractual resources and 30 employees from the management.

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