

Temporary workers

Management Decision

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Body

The growing popularity of longer assignments for temporary workers has significant implications for the management of those personnel by client organizations. In particular, the attitude that temporary workers are somehow less valuable than their permanent counterparts, i.e. that they are “second class employees” of a sort, may result in a higher than necessary turnover among temporary workers. With this in mind, the following organizational factors are suggested as contributing to the likelihood that temporary workers may quit their assignments prior to the scheduled termination date• inadequate socialization• perceptions of organizational injustice• exclusion from decisionmaking activities that affect their work lives• low expectations for a permanent job in the firm• relatively low age and tenure compared to permanent employees• relatively low tolerance for perceived inequity compared to permanent employees and• relatively low levels of commitment toward the firm compared to permanent employees. Taken together, these factors result in limited motivation on the part of temporary workers, leading to reduced productivity and a predisposition toward early departure.

Depending on any number of criteria, authors refer to various categories of contingent workers as temporary workers, shortterm workers, contract employees, independent contractors, parttime workers, personnel staffing service PSS employees, etc. In this paper, the term “temporary workers” refers to individuals working through a temporary service agency TSA on assignment to client firms that contract with the TSA, as well as individuals who contract directly with a firm under an agreement with an explicitly stated end date.

Background

The temporary employment industry accounted for approximately 10 percent of total job growth in the 1990s, a figure twice that seen during the 1980s Wessel, 2001 and projections indicate at least a 60 percent increase over 1996 figures by the year 2006 Melchionno, 1999. In Japan alone, the number of temporary workers rose 26.1 percent from March 2001 to March 2002 Financial Times Information Ltd, 2002a. More importantly, the role of many temporary workers is dramatically different from past decades as well. Once limited to replacing relatively unskilled sick or vacationing clerical help, today's temporary workers increasingly fill positions in a variety of executive, managerial, professional and technical areas requiring extensive skills. Even so, firms still use temporary workers for a variety of reasons such as seasonal or cyclical workforce adjustments, costsavings efforts, and specific skill needs. For these firms, the costs of increased socialization, training, and development of temporary employees would likely far outweigh the benefits.

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However, it is not uncommon for firms that use temporary workers extensively to have positions for them that can last up to five years or longer, or to hire workers into temporary positions with an increased potential for longerterm employment. Many of these firms use the temporary employment condition as a pseudoprobatary period to preview workers from whom they screen out those who fail to meet performance criteria or do not otherwise “fit” the organization, or extend an offer of longterm employment to desired individuals. Such firms may find significant benefit in developing a stronger, more meaningful employeremployee relationship with their temporary workers.

Similarly, individuals' motivation to enter the temporary labor market varies widely and includes the inability to secure more desirable or permanent work, or a desire or need for retraining or for greater choice in when and where to work. Nevertheless, a large number of them do so with the tacit hope of obtaining an offer of longerterm employment Foote and Folta, 2002. In some cases, the aspiration for longerterm employment stems from a perception on the part of lenders that, because their income source is less stable, temporary workers represent a high financial risk, and these temporary workers want to avoid being seen as highrisk investments.

Individuals not seeking permanent employment offers are likely to be less concerned about the quality of the employeremployee relationship than are those who seek more stability and commitment in work relationships. The HRM practices discussed in later sections may make little difference for them. However, for individuals who do seek more stable, longerterm employment, these practices may significantly impact their decision to continue in their current assignment to its prearranged end date. The motivation for seeking permanent employment is not as important, in our view, as the quality of the employeremployee relationship temporary workers experience while on assignment to a client firm. Thus, it is in this context that the problem of unscheduled turnover among temporary workers is discussed.

While these longer assignments provide stability for temporary workers who value it, they also create additional challenges for client firms that want to maximize the utility of their temporary workers. The explicitly noncommittal nature of temporary work presents two significant challenges on which this paper focuses preventing temporary workers from leaving prior to the end of their assignments, and determining the appropriate extent of integration for temporary workers. Despite improvements in some areas, industry groups still appear to be reluctant to fully integrate temporary employees, as evidenced by the European Union's recent failure to reach agreement over the drafting of the Agency Workers Directive. The directive, which appeared to have secured the support of most European partners, was attempting to improve the rights of temporary workers Donkin, 2003. The objective of this paper is to address these challenges through an examination of the problem of unscheduled turnover i.e. terminating one's temporary work assignment prior to the scheduled end date among temporary workers, suggest possible antecedents of unscheduled turnover, and offer recommendations to managers for ways to reduce unscheduled turnover.

Recent research reports positive associations between high performance human resource management HRM systems and organizational performance Delaney and Huselid, 1996 Dess and Shaw, 2001 Huselid, 1995 MacDuffie, 1995. The systems described involve a number of practices including extensive employee training, employee participation and empowerment, job redesign, teambased production systems and performancecontingent incentive compensation. Foote and Folta 2002 affirmed the economic value to the firm of these HRM practices and systems of practice. However, the growing body of research remains largely limited to employees typically referred to as “permanent employees” hired with an expectation, on the part of both employer and employee, of relatively longterm employment, whether full or parttime. Very little research links progressive HRM practices and systems to the management of workers hired on a temporary basis who may not share their more permanent counterparts' expectation of relatively longerterm employment.

Turnover

The turnover literature examines employee job perceptions with regard to propensity to change jobs, and focuses on the assimilation and management of human assets. Simply put, in order to reduce turnover i.e. increase retention firms must either increase employees' positive perceptions of their current jobs or decrease their positive perceptions of alternative jobs Coff, 1997. Such a reduction in turnover may be accomplished in a variety of ways,

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such as increasing pay, or by managing other aspects of job satisfaction in such a manner as to create a perception that the current job offers higher satisfaction than do alternatives. However, reduction of costs e.g. in health benefits and retirement plans as a rationale for the increased use of temporary workers precludes firms from using monetary means to enhance perceptions of the current job. Accordingly, this paper focuses primarily on nonmonetary strategies by which firms may achieve that end.

Minimization of turnover constitutes an important objective in sustaining competitive advantage through people Pfeffer, 1995. Although human assets alone do not necessarily create competitive advantage for a firm, researchers in the resourcebased stream consider both firmspecific and general human assets as a special form of strategic asset e.g. Amit and Schoemaker, 1993. However, human assets are unique in their capacity for voluntary turnover. People can and do leave firms at will, taking with them not only general and firmspecific knowledge and skills, but frequently proprietary knowledge as well. Firms that fail to understand their distinctive competencies or to cope with human asset dilemmas, such as voluntary turnover, inhibit achievement of sustainable competitive advantage Coff, 1997.

The use of temporary workers by firms includes, by definition, an element of scheduled turnover. That is, by their nature temporary assignments have a planned ending date. However, firms that make extensive use of the temporary labor market may also experience higher than necessary levels of unscheduled turnover when they fail to cope with human asset management dilemmas peculiar to temporary workers. Unscheduled turnover is defined as the departure of temporary workers prior to the scheduled end date of their assignments. This same phenomenon, viewed from the temporary worker's perspective, is referred to as early withdrawal. To the extent that unscheduled turnover occurs among temporary workers, previously expected cost tradeoffs between scheduled turnover and wagebenefit avoidance no longer apply, seriously threatening economic gains previously anticipated from the use of such workers.

Human resource managers face an interesting conundrum in attempting to maximize the potential of temporary workers. Traditionally, client firms invest little, if any, time or effort in the integration of temporary workers, precisely because the assignments are temporary by definition. Fear of "wrongful action" suits against client firms by temporary workers based on the workers' perception that the client firm was the legal employer, rather than the TSA, may cause many firms to deliberately exclude temporary workers from meetings and other activities that might result in a deeper level of integration. On the other hand, failure to effectively integrate temporary workers into the firm may act to intensify the problem of unscheduled turnover.

Such actions on the part of the firm may also result in temporary workers' failure to acquire an adequate understanding of others' expectations and their own rolerelevant boundaries, thereby depriving the firm of their maximized performance. Indeed, the essential nature of temporary work may require that human resource managers actively seek ways to integrate their temporary workers into the organization more fully while, at the same time, clearly defining the firm's role as client rather than employer. Careful consideration of issues related to temporary workers' socialization, justice perceptions, psychological contracts, commitment, and equity may significantly reduce unscheduled turnover.

Factors affecting unscheduled turnover

The factors affecting unscheduled turnover are discussed in the next section. Discussion of the effects of relatively low age and tenure among temporary employees occurs across other factors rather than separately, because age and tenure issues are closely related to those other factors.

Inadequate socialization

Van Maanen and Schein 1979 described the socialization construct in organizations as the learning of a cultural perspective that enables workers to interpret their experiences appropriately in a given segment of the work world. Jones 1986 described institutionalized socialization as consisting of the following six elements¹. grouping newcomers and exposing them to common experiences². segregating newcomers initially from established organization members³. a fixed sequence of steps designed to facilitate role assumption⁴. imposition of a timeline

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for completion of role assumption⁵. assignment of role models to conduct the socialization process and⁶. affirmation of newcomer's identity and personal characteristics. Institutionalized socialization has been positively correlated with job satisfaction N306, $r=0.45$, $p<0.001$, organizational commitment N306, $r=0.30$, $p<0.001$ Mignerney et al., 1995 and organizational identification N295, $r=0.220.38$, $p<0.05$ Ashforth and Saks, 1996.

Ashforth and Saks 1996 advised that institutionalized socialization may represent an even more salient approach to younger, less experienced newcomers due to their stronger need for information, identity, social support and legitimacy. A significant segment 56 percent in the US of the temporary worker labor pool consists of relatively young workers, i.e. below the age of 35 Brogan, 2001. Furthermore, the number of individuals using temporary work as a first job is increasing Steinberg, 2001. Thus, implementation of institutionalized socialization in organizations that use temporary workers extensively takes on critical significance given the likelihood that many of those temporary workers may be relatively young and inexperienced.

Newcomers, including temporary workers, must acquire the firm's cultural perspective along with an adequate understanding of others' expectations and their own rolerelevant boundaries in order to function appropriately in their environments. Failure to fully convey this information may result in misperception and dysfunction, particularly among temporary workers, because firms too often view the socialization of temporary workers as low in priority or even insignificant. Ironically, the resulting misperception and dysfunction among these workers may limit their ability to contribute, thus depriving the firm of their maximized performance and leading to problems of early withdrawal.

Perceptions of organizational injustice and exclusion from decisionmaking

Research indicates that "one of the most potent determinants of the ... fairness of a social decision making procedure is the extent to which those affected by the decision are allowed to participate in the decision making process through the exercise of process control or voice". Lind and Tyler, 1988, p. 176. Employees are more likely to perceive procedures that affect them as fair when given the opportunity to express their opinions and desires as part of the process.

Firms may frequently exclude temporary workers not only from participating in decisionmaking that affects their immediate work conditions, but also from such simple, yet perhaps very meaningful, actions as introducing them to fellow employees other than those with whom they have direct working relationships. To make matters worse, client firms may give temporary workers responsibility without commensurate authority, leaving them feeling underutilized, uninformed, uninterested and uncommitted – attitudes that suggest strongly negative justice perceptions and a greater likelihood of departure prior to one's assigned end date.

Reduced expectations for permanent work

The psychological contract refers to beliefs about the terms of an exchange agreement between individuals and their organizations, and revolves around expectations suggested by that agreement, either explicitly or implicitly. While some individuals prefer the transitory environment offered by temporary work, many enter the temporary labor market specifically intent on securing a permanent position, i.e. with an expectation that the temporary assignment may lead to a permanent position at some point. The Spanish government's transition of 6,000 temporary workers to permanent employees within the past year Financial Times Information Ltd, 2002b and ASDA's permanent hiring of 2,000 of its 10,000 temporary workers in 2003 William Reed Ltd, 2003 are just two examples of why such aspirations are not at all unrealistic. This expectation may persist regardless of the explicit agreement, especially in those cases where a temporary worker has knowledge of other temporary workers who have previously obtained permanent positions with that firm. If the firm fails to offer a permanent position within an acceptable to the temporary worker time frame, the temporary worker may perceive it as a breach of the psychological contract, diminishing expectations and leading to reduced motivation to remain until the end of the assignment.

The essential nature of temporary work is that those workers are younger and possess lower tenure, on average, than do permanent employees Steinberg, 2001. The combined effects of reduced expectancy and relatively low

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tenure and age suggest that temporary workers who are seeking permanent employment may be particularly vulnerable to unscheduled turnover.

Low tolerance for perceived inequity

Adams' 1963 equity theory proposed, in general terms, that when individuals perceive a difference between their own input/outcome ratio and that of a referent other, a negative state of distress results that motivates those individuals to take action to restore equity to the situation. Because firms primarily control outcomes, adjustments nearly always occur on the input side of the ratio. Additionally, employees who cannot achieve an acceptable "adjustment" of the input/outcome ratio, either in reality or by altering their perception of the ratio, typically resolve the situation by withdrawing from the organization Cascio, 1991.

Equity theory would predict that temporary workers who perform comparable tasks equally as well as their referent coworkers in this case, permanent employees, but receive lower pay than the coworkers, may respond by seeking to increase outputs or by reducing input efforts in order to restore equity. The potential for such a scenario is high, because temporary workers are typically paid less than permanent employees, even for equivalent work Parker, 1994. If neither inputs nor outcomes can be adjusted in actuality, they may attempt to cognitively distort their own input/output ratios or those of the referent others.

However, for temporary workers, both direct alteration of the input/output ratio and cognitive distortion of the input/output ratio may represent alternatives requiring a certain degree of effort i.e. motivation above that required for withdrawal. Consequently, temporary workers already predisposed to withdraw based on other factors described earlier may respond according to that predisposition rather than expending the effort required to achieve input/output ratio adjustments. Therefore, they may withdraw more readily and at a higher rate than would their permanent employee counterparts.

Low levels of commitment

Turnover has been strongly correlated with what is termed "continuance commitment" -0.29 , $p < 0.001$ Mayer and Schoorman, 1992. Continuance commitment refers to decisions to join, attend, and remain a member of an organization. The concept of commitment also includes the attachment associated with compliance as controlled by rewards and punishments, willingness to affiliate and ability to identify with the organization, and congruence with organizational goals and values Foote and Folta, 2002. However, developing this type of commitment may represent a particularly difficult challenge with regard to temporary workers. Feldman 1990 noted that the very nature of temporary employment increases feelings of divided allegiance on the part of temporary workers.

According to Parker 1994, underemployment, meaning both underemployment in terms of hours employed and underemployment in terms of suboptimal skill utilization, makes temporary workers less involved rather than more involved. Segal 1996 found that temporary workers worked an average of 33.5 hours per week, while their permanent counterparts worked an average of 39.5 hours per week. Thus, involvement for temporary workers is limited on a temporal basis alone simply because they have an average of six fewer hours per week to exercise that involvement.

Perhaps even more problematically, client firms commonly view temporary workers as buffers against market downturns, effectively classifying those workers as expendable. Because of this view, client firms also allocate fewer resources to training and socializing temporary workers than to permanent employees Wiens/Tuers and Hill, 2002. This "restricted investment" on the part of client firms reinforces feelings of second-class citizenship among temporary employees and has the compounded effect of limiting both involvement in, and identification with, the organization. As a result, temporary workers may exhibit lower levels of continuance commitment toward the client firm than do permanent employees in whom the firm's investment is not similarly restricted.

This paper outlines several factors as direct and indirect antecedents to unscheduled turnover among temporary workers. In the following section, implications for client firms are discussed, with a focus on the development of comprehensive HRM systems that address the factors identified, and directions for future research are offered.

Conclusions

HRM systems

Current trends indicate an increasingly important role for HRM in the development of corporate strategy. A closely related contemporary theme involves the importance of aligning departmental strategies with overall organizational strategies, as evidenced throughout the broader domain of strategic management literature. Given this context, it follows that firms' HRM strategies should support their overall strategies. Yet, it appears that a significant number of firms fail to recognize the critical nature of their HRM strategy regarding temporary workers. Firms whose strategies include extensive use of temporary workers should develop HRM systems consistent with those strategies.

Moreover, HRM policies implemented in piecemeal fashion across departments or divisions and with varying degrees of emphasis, while adding to the accomplishment of segmented goals, may fall far short of generating the depth of commitment necessary for the achievement of organizational goals Hunt and Morgan, 1994. Instead, firms should develop HRM policy "bundles" that complement each other and collectively promote the organization's goals.

Keeping in mind the context of longerterm assignments for temporary workers, a firm's HRM system, or bundle, must first address the potential for predisposition toward early withdrawal that may be complicated by a strong potential for low commitment toward the client firm. HRM bundles designed to collectively and comprehensively address idiosyncratic issues of temporary work align the organization to provide stimulating assignments for its entire work force, rather than just its permanent employees. In turn, such policies may foster involvement, commitment to the client firm, and the perception for temporary workers that the current assignment represents their best alternative.

Socialization. Firms must clearly define temporary workers' roles and expectations as part of the initial assignment, orientation and socialization processes. Providing extensive information during orientation and socialization may facilitate acquisition of the firm's cultural perspective for new temporary workers, in turn reducing the anxiety and uncertainty attendant to new surroundings and new responsibilities. According to Pfeffer 1995, p. 60, "sharing of information is a necessary precondition to ... broader worker participation and empowerment", which have been shown to increase both satisfaction and productivity. Additionally, rather than assign repetitive, underchallenging tasks, firms should maximize crosstraining opportunities among temporary workers and permanent employees and assign tasks that stretch temporary workers' abilities.

Justice and equity perceptions. HRM bundles in general, and compensation plans in particular, must take into account the anomalous response tendencies of temporary workers with regard to perceived inequities discussed earlier. Firms will need to learn to anticipate to a greater degree those conditions under which temporary workers may likely perceive inequity, and proactively incorporate measures designed to minimize inequitable situations. Additionally, in those instances where firms cannot avoid inequity, or find it inappropriate to do so, HRM bundles should incorporate proactive policies aimed at helping temporary workers accurately to understand situational details in order to eliminate inequities arising simply from flawed perceptions.

Expectations for permanent employment. Firm should clearly articulate their policies and practices with regard to the transitioning of temporary workers to permanent employment to TSAs so that temporary workers can make informed decisions about whether to accept an assignment in the first place, rather than having to wait until they are already on site with a client firm before that critical information becomes available. This practice would benefit both temporary workers and client firms by improving the match between the motivations of both parties, thereby reducing the disillusionment of temporary workers assigned to firms that have no interest in or opportunity for transitioning them to permanent employment, and reducing the costs associated with unscheduled turnover for those firms as well.

Decisionmaking. Firms should maximize opportunities for temporary workers to participate in decisions relevant to the immediate work conditions of their own assignments Schuler and Jackson, 1982 in order to promote a sense of

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ownership and identification with organizational goals. Although legal constraints may impose some limits, to the extent that firms keep their temporary workers informed and embrace them as team members along with permanent employees, those temporary workers may be able to offer more objective and provocative insights into organizational situations.

Commitment. The firm's HRM bundle should incorporate procedures to obtain detailed information about temporary workers' knowledge, skills and abilities from the TSA, apply the information during initial assignment, and review and update the information as part of the performance appraisal process. Such a comprehensive approach would enable the firm to develop more challenging assignments on an ongoing basis for its temporary workers, which may significantly enhance overall performance. Not only do such practices foster commitment and contribution, they may provide an additional and crucial benefit in increasing the value of the firm's temporary human assets by increasing their versatility and utility.

Employeremployee relationship

This paper contributes to the development of our understanding of the employeremployee relationship by examining problems unique in scope and magnitude with regard to temporary workers and client firms. In addition, it suggests the need for firms to expand their investment in temporary workers in order to realize maximized performance from all aspects of the firm. However, the growing practice of placing temporary workers in what essentially constitute longterm positions creates a host of legal issues surrounding the employeremployee relationship that must be resolved before researchers can examine the roles of the firm and the temporary worker with clarity. These issues include critical concerns such as benefits eligibility, wage laws, tax laws, application of and responsibility for mandated benefits, right to work laws, and the right to organize.

Of course, increased socialization and training of temporary workers, and more effective determination and utilization of their skills, may reduce the cost savings firms seek by using temporary workers to begin with, making it less likely that firms not interested in providing an opportunity for temporary workers to obtain permanent employment will benefit from adoption of these practices. However, implementing these practices also increases the productivity and versatility of temporary workers, and may prevent other costs to the firm in terms of experience and productivity associated with bringing in new temporary workers or diverting other human resources to complete unfinished work.

Future directions and research

Extant research provides substantial support for the highperformance HRM practicefirm performance link. Empirical support for extension of this generality to temporary workers remains undeveloped. Much work remains in uncovering the idiosyncratic nature of temporary employment. Empirical examinations of the relationships among HRM bundles, temporary worker predisposition toward intention to quit, temporary worker participation and commitment, reduction of unscheduled turnover, and organizational performance are necessary. Empirical research focused on the reactions of temporary workers to real and perceived inequities would be particularly useful in determining the extent to which the proposed anomalous responses actually occur among temporary workers. Additionally, empirical research is needed that provides information to practitioners regarding specific measures that firms may take to minimize unscheduled turnover resulting from inequity perceptions.

Longitudinal studies examining differences in socialization, training and depth of integration across departments in large organizations that use temporary workers extensively would be particularly useful in revealing which HRM practices operate most effectively to reduce unscheduled turnover among temporary workers. Moreover, these studies would also be useful in providing additional support for the importance of HRM bundles in aligning the organization as a whole to generate commitment to organizational goals among its temporary workers, and in maximizing the potential benefits for which the firm originally initiated its relationship with the TSATSAs.

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