

ORGANIZATIONAL JUSTICE, TRUST AND
ORGANIZATIONAL COMMITMENT – A COMPARISON
BETWEEN PERMANENT AND CONTINGENT WORKERS

by

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DEDICATION

Specially dedicated to :

My wife, Maga

and

our precious triplet

Kavesshana, Kavenesh and Kaveshen

for their encouragement and sacrifices

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ABSTRAK

Kajian ini bertujuan meneliti sejauh manakah keadilan organisasi dan kepercayaan berpengaruh dalam melahirkan pekerja yang komited kepada organisasi dengan mengambil kira status pekerjaan sebagai moderator. Kajian ini mempunyai kepentingannya memandangkan pada masa kini banyak organisasi menggaji bilangan pekerja sementara dan bilangan ini semakin meningkat. Persoalan yang timbul adalah sama ada pekerja-pekerja ini mempunyai komitmen terhadap organisasi pada tahap yang sama berbanding dengan pekerja-pekerja tetap. Kajian ini telah dijalankan di sebuah kilang elektronik dengan 174 sampel. Hasil dari analisis kajian ini menunjukkan bahawa status pekerjaan tidak membawa impak yang besar terhadap tahap komitmen pekerja-pekerja sementara berbanding dengan pekerja tetap.

ABSTRACT

This study aims to examine the influence of organizational justice and trust towards organizational commitment, with job status as a moderator. This study is important due to the growing number of contingent workers being currently employed in many organizations. Many organizations are faced with the question if there are any difference in the commitment level of the permanent employees in comparison with contingent workers. The study was conducted in an electronic manufacturing organization with a sample of 174 respondents. The findings shows that job status generally do not moderate the relationship between the organization justice and trust with the commitment level.

Chapter 1

INTRODUCTION

1.1 Introduction

The global economy is undergoing a major change in the way labor is being employed and used. Individuals are now less likely to stay with one company for the total duration of their career and employers are investing less in maintaining a stable workforce. Instead, workers are much more likely to work at several companies throughout their career and employers increasingly maintain only a core of traditional, full-time employees, opting to use other employment arrangements to adapt to the fluctuations in demand (Callaghan & Hartman, 1991).

Many businesses are redefining the work structure of their firms by moving towards flexible staffing (Clinton, 1997). This is seen as a major change with regards to labor matters and these work arrangements provide flexibility in a number of areas such as working time, place of work, task or job content, and rewards (Papalexandris & Kramar, 1997).

The term contingent workers are used to describe the workers who are directly affected by these changes. Contingent work can take many forms, including part-time, temporary, and contract employment. Although there has always been a contingent workforce before, but the number of contingent workers has risen dramatically since the 1970's (Papalexandris & Kramar, 1997).

1.2 Background

Labor flexibility is now a growing major issue in most developed countries. Based on past research, forty percent of the labor force in Japan is self-employed, part-time or temporary, and the proportion is similar in the United Kingdom. In addition, part-time employment has increased very aggressively since the early 1980s in countries like France, Germany and the United Kingdom.

According to Callaghan and Hartman (1991), there are certain factors with regards to contingent workers that need to be understood:

- a) It is the demands of employers for a more flexible workforce that has increased the number of contingent workers and not due to the needs of the employees;
- b) The need for contingent workforce is growing more rapidly than the overall employment rate;
- c) Contingent workers receive lower pay than regular full-time employees and usually are not entitled for fringe benefits;
- d) Due to the uncertain nature of contingent work, these workers and society as a whole, may loose out with regards to human resources such as on-the-job-training which would raise the skill level of the workforce and improve economic productivity;
- e) Contingent workers generally do not benefit from the protections that have been established for full-time workers;
- f) The growing number of contingent workers is altering employment for the total workers structure. New policies need to be developed to address these changes in the employment relationship.

1.3 Problem Statement

The modern, full-time job is a relatively recent phenomenon. In the early decades of the 20th century, most workers were employed in very precarious “contingent” jobs. Few had any real plan of long-term employment with a single employer (Rifkin, 1995). In today’s organizations, a considerable portion of the workforce consists of contingent workers, people who are willing to work for an employer on the basis of a contract, for a limited duration. Whatever the length of the contract is, contingent workers know that the relationship with their employer and their colleagues, will come to an end at a time they usually are aware when they start their job (Gilder, 2003).

The increase in the needs for contingent worker is an indication that employers are moving away from providing full-time, permanent jobs with opportunities for advancement and substantial benefits to more “flexible” arrangements that usually provides less job security, limited advancement, lower wages, and fewer benefits (Callaghan & Hartman, 1991). Part of the increase in the number of contingent workers is due to the valid needs of employers and employees who must adapt to the pressure of competing in a global market.

Nonetheless, according to Callaghan and Hartman (1991), the growth and magnitude of contingent employment are disturbing because of the potential negative effects on the overall economy, the inequities and lack of workplace protections that many contingent workers experience, and the potential burden these inequities may place on our welfare system. Consequently, on average, the contingent workers receive lower pay and benefits than regular, full-time workers who do the same work. That

discrimination affects not only those in contingent jobs, but also the permanent workers who are forced to compete with them. Subsequently, the community members are affected by the consequences of insecurity and discrimination.

In the Malaysian context the demand for contingent workers is also increasing. The reason for the increase is that organizations want to enable themselves with a flexible workforce so that when there is a change in demand for goods and services, the rate of response to either increase or decrease can be addressed in a faster and lean way.

This kind of arrangement happens in both, large and small, local and multinational organizations. In some cases the contingents workers are managed by a contractor, which manages the total workforce and provides the compensations and benefits to the workers while the organization pays the contracting firm. The other arrangement is , that the organization itself hire the worker on a contract basis and pays the compensation directly to the workers.

The total issue on contingent workers is becoming very important in Malaysia due to the increase in demand for this group of workers. Although this arrangement benefits the employers, it also helps workers who are seeking for flexible hours, short-term work and less commitment.

Despite the various arguments against the concept of contingent workers, explanations for the increased use of contingent work arrangements have cited the numerous advantages that the organizations that adopt them realize. Such arrangements are particularly noted for their potential to reduce an organization's

labor costs and increase staffing flexibility (in terms of both the numbers and skills of workers) (Appelbaum & Batt, 1994; Tsui, 1995). Others include improved work motivation and perceptions of wage equity among regular employees as well as enhanced protection against unionization (Pfeffer & Baron, 1988).

Based on the above discussions, the problem being investigated is whether there are differences in the level of commitment of contingent workers compared to permanent employees.

1.4 Research Objectives

Thus, this study is intended to enhance the knowledge and understanding on contingent workers and to examine the consequences of contingent work arrangements in organizations commitment amongst the employees especially in comparing the core employees and the contingent workers in the organization. In addition, it is also important to explore the degree of organizational justice and trust of the contingent workers in the organization. The findings in this study will be used to assist the organization to further improve the total workers organization commitment.

The source of this study would take place in Penang and it would comprise of respondents working as contingent workers as well as core employees in an electronic manufacturing organization. The respondents will be selected based on judgment where the sample members who are believed to be representative of the target population will be chosen as respondents.

Furthermore, this research would also take place in the libraries through books, newspapers, business journals and the Internet to obtain secondary data from previous researches and theories developed by the researches of each field. The time taken to conduct this study was approximately six months.

1.5 Research Question

This study was conducted based on the questions below:

1. Does organizational justice (distributive justice and procedural justice) have an impact on organizational commitment?
2. Does trust in organization (trust in supervisor and in top management) play a role in influencing the organizational commitment?
3. Does job status moderate the effect of organization justice on organizational commitment?
4. Does job status moderate the impact of trust in organization on organizational commitment?

Based on the above, the focus of this research is to gain better knowledge in understanding the contingent work arrangements and the consequences of the changes in the organization commitment.

1.6 Definition of Key Terms

1.6.1 Organizational commitment can be defined as

‘the relative strength of an individual’s identification with and involvement in a particular organization and can be characterized by a strong belief in and

*acceptance of the organization's goals and values;
a willingness to exert considerable effort on behalf
of the organization; and a strong desire to maintain
membership of the organization'* (Mowday , Porter & Steers,
1982, p.27).

1.6.2 Trust can be defined as

*'a state involving confident expectations about another's
motives with respect to oneself in situations entailing risk'*
(Boon & Holmes, 1991, p.194).

1.6.3 Contingent workers can be defined as those who are employed in jobs
that do not fit the traditional description of a full-time, permanent job
with benefits (Callaghan & Hartmann, 1991).

1.7 Significance of the Study

The growth of the contingent workforce has been primarily motivated by different related factors. First, part-time employment has been particularly affected by changes in industrial structure that have taken place over the last two decades. The industries where the use of part-time work is common have grown more disproportionately than other industries. Second, all three types of contingent employment – part-time, temporary and contract work – present the opportunity to employers for significant savings in labor costs, especially in fringe benefits. These savings provide a definite inducement for employers to switch from full-time, permanent employees to contingent employees. Third, this provides employers with one means of achieving flexibility, an aspect of the production of goods and services that is increasingly

important in an economy characterized by greater diversity, shifts in demand and heightened international competition (Callaghan & Hartmann, 1991).

In fact, if those affected by contingent work were powerful and well organized, they could simply use their influence to secure the conditions they need. But in reality, contingent workers are largely excluded from power and face enormous barriers to organization. Promoting the interests of workers in contingent jobs, and addressing the social issue of contingent work, therefore requires effective strategy.

Henceforth, it is important to recognize this approach of labor employment that has been occurring in our country in recent years from the perspective of the industry as whole. We need to understand this new employment pattern, which has a great impact on everyone's life especially those who are or will be part of the workforce. Furthermore, it is also crucial for the HR practitioners and the management of organizations to understand the commitment, trust and organizational justice of the contingent workers as well as the core employees. This study would enable organizations to strategize their staffing needs more efficiently and effectively in their attempt to meet the demanding business environment.

1.8 Organization of the Remaining Chapters

The organization of the remaining chapters of this study is as follows. Chapter 2 would present an overview of literature and theories on contingent workers, commitment, trust and organization justice. It will also include the theoretical framework and the hypotheses used for the research. Chapter 3 focuses on the research design and methodology of this study. The fourth chapter outlines the

analysis of the data collected and reports findings of the study. Finally, a full discussion of the implications and the arguments of this study is presented in Chapter 5. The limitations of this study and some suggestions for future research, which might be usefully applied, will also be presented.

LITERATURE REVIEW

2.1 Introduction

Organizations around the world are restructuring their organization by applying flexible staffing arrangements (Clinton, 1997). It is undeniable that these arrangements are widespread among establishments of all sizes and types of industries. The term contingent workers are used to describe the workers who are directly affected by these flexible arrangements. As mentioned earlier, contingent work can take many forms, including part-time, temporary, and contract employment (Papalexandris & Kramar, 1997).

In today's organizations, a considerable part of the workforce consists of contingent workers, people who are willing to perform a job for an employer on the basis of a contract. The growth of contingent workers serves as an indication that the total employment relations are being transformed from those in which employers provide full-time, permanent jobs with opportunities for advancement and substantial benefits to more "flexible" arrangements that often mean less job security, limited advancement, lower wages, and fewer benefits (Callaghan & Hartman, 1991). The following sections would discuss the related literature on flexible working arrangements, contingent work and work related behaviors that are related with these new working patterns.

2.2 Organizational Commitment

Interest in work-related commitment has always created a lot of excitement based on its potential benefits to individuals and to organizations. Committed employees are characterized as loyal, productive members of work organizations (Porter, 1974). This group of people identify themselves with the goals and values of the organization (Buchanan, 1974). Work-related commitment has been defined as a set of similar, but distinct attitudinal variables tied to the job, organization, work groups, career and work values (Blau, 1989).

There is a wide body of research on determinants and outcomes of organizational commitment (Mathieu and Zajac, 1990). Organizational commitment can be defined as ‘the relative strength of an individual’s identification with and involvement in a particular organization and can be characterized by a strong belief in and acceptance of the organization’s goals and values; a willingness to exert considerable effort on behalf of the organization; and a strong desire to maintain membership of the organization’ (Mowday *et al.*, 1982). In short, it refers to the willingness to contribute to the common good, or as the degree to which employees feel connected to their work and to the organization (Porter *et al.*, 1974; van Breukelen, 1996).

One of the human resources approaches, which have focused on organizational commitment, is by Burach (1998), and he suggested three general reasons:

- Assumption is made that the more committed employees are to the organization, the more motivated they are and the more willing to work ‘above and beyond contract’.

- Committed employees feel greater responsibility, reducing the manager's need to monitor and supervise.
- Committed employees are expected to be less likely to leave the organization, resulting in the reduction of recruitment and selection expenditures.

Research has indeed shown that organizational commitment is positively related to work rate (Angle & Perry, 1981), job satisfaction (De Gilder, Ellemers & Blijlevens, 1998), performance quality (Meyer & Allen, 1991), recognition for career advancement and superior support (Liew, 2001), and work values (Tan, 1998) and is negatively related to turnover (Lum, 1998).

Organizational commitment can take different forms. It can be organization loyalty, responsibility to the organization, willingness to work for the organization, and belief in the organization's values and cultures. The Three-Component Model of Commitment developed by Meyer and Allen (1991) identified three distinct themes in the definition of commitment.

Firstly, affective commitment represents the degree to which an employee exhibits a strong belief in, and acceptance of, the organizational goals and values. The employees also have the willingness to exert considerable effort on behalf of the organization. This means employee would like to remain in the organization because they want to and have strong desire to stay in the organization (Mowday, *et al.*, 1982). Secondly, continuance commitment represents the degree to which an employee exhibits a willingness to work for the organization to avoid the cost of leaving the organization (Breukelen, 1996). Given that contingent workers know their position is

temporary, they are more likely to be aware of the need to search for job alternatives, which implies that they are likely to have lower continuance commitment. Thirdly, normative commitment, where employees remain in the organization because they feel they are obliged to.

Organizational commitment was found related to a wide variety of correlates. The literature (Mowday *et al.*, 1982; Morrow, 1993) suggested that organizational commitment is related to both demographic characteristics and work experience. It was also found positively related to performance (Meyer *et al.*, 1991).

2.3 Organizational Justice and Trust

Although there are different views on the consequences of changing employment relations, contingent work is often positively evaluated by employers. With regard to the consequences of contingent work for workers, the literature is much more diverse. Some researchers are out rightly negative about contingent work, suggesting it has bad consequences for contingent workers at the lower end of the job market, who have low job security and few chances for advancement (Kalleberg , 2000; Parks & Kidder, 1994; Rogers, 1995). They generally argue that workers, in exchange to the poor treatment by the employers, are likely to have unfavorable job attitudes and to perform poorly in comparison to workers with a permanent contract (Gilder, 2003).

The seemingly contradictory results of studies on the effects of job status reveal some problems in the literature. First, the concept of job status is much more complex than might be expected on the face of it. Contingent workers may differ from core employees in many other ways than in job status alone. Frequently, certain types of

jobs, predominantly jobs requiring few skills and with relatively unfavorable task characteristics, are only performed by contingent workers and not by core employees (Parks, Kidder & Gallagher, 1998). Sometimes, both groups of employees carry the same job title, but still contingent workers may be given fewer responsibilities (Gilder, 2003).

An interesting line of work has been initiated by some authors (Parks & Kidder, 1994; Guest, 1997) who incorporate a social justice perspective in the explanation of differences in job attitudes and job behaviors. In doing so, McLean Parks and Kidder (1994) use the well-known distinction between distributive justice and procedural justice. Distributive justice is 'the perceived fairness of the outcomes or allocations that an individual receives' (Folger & Cropanzano, 1998). They also gave the definition of procedural justice as fairness issues regarding methods, mechanisms, and processes used in determining outcomes.

McLean Parks, Kidder and Gallagher (1998) argued that procedural justice is more likely to be relevant to people who have a long-term relationship than to people who know the relationship will be short-lived and has a predominantly transactional character. They assume that, for contingent workers, it is difficult to build a relationship with the employer, since the contract is essentially is of limited duration. They argue that contingent workers tend to focus on distributive justice when they decide how they will behave at work. If they evaluate the distribution of outcomes, they will show constructive behavior towards the organization.

For core employees, distributive justice is not irrelevant, but they have procedural justice considerations as well. As they do have relationship with the organization, they might have more elaborate ideas about the organization's policies and will consider them more when preparing their behavioral response (Gilder, 2003).

With regards to justice, the relationship between employees and management is also highly relevant for the development of trust in organizations. Although there are several definitions of trust, an adequate definition is "*a state involving confident expectations about another's motives with respect to oneself in situations entailing risk*" (Boon & Holmes, 1991,p.194). Bijlsma and Koopman (2003) cited that trustful relations between organizational members could promote extensive voluntary cooperation and extra-role behaviors. Increasing instances of organizational change have also contributed to the rise of trust and conditions of change heighten the relevance of trust to organizational performance and to the well-being of organizational members (Mishra, 1996; Gilkey, 1991).

Given that trust is associated both with justice considerations and with job attitudes and job behavior (Guest, 1998), it should also be considered as a possible consequence of job status. In this respect, the crucial words in the above definition are "confident expectations". As in other definitions, trust is seen as a state that can be built by experiences (Gilder, 2003).

It is also a matter of common understanding that trust is influenced by past experiences and chances of future interactions, both relevant within organizations. Expectations of others' beneficial actions will be enhanced by prior experiences of

such behavior. If others live up to prior expectations, this good reputation will further result in positive expectations in the future, enhance the level of trust, and promote the willingness to cooperate (Lewicki & Bunker, 1996; Gautschi, 2002).

It can be assumed that it will be more difficult for contingent workers to develop trust towards their employer, as they usually do not have such an extensive level of knowledge as core employees have. Furthermore, there is always some threats that they will be dismissed, as contingent workers are usually the first employees to be laid off or replaced (Lewicki & Bunker, 1996).

According to Mishra (1996), trust is a solution for specific problems of risk because it is an attitude that allows for risk-taking. If individuals choose one course of action in preference to alternatives, in spite of the possibility of being disappointed by the action of others, they define the situation as one of trust. Another common understanding is that trust and cooperation are closely and positively related (Gambetta, 1988).

2.4 Job Status – Flexible Work Arrangements

A more accurate and more useful term for employment under non-standard contracts is flexible, and for the workers who are employed in this way (or self-employed), flexible labor (Carnoy, Castells & Benner, 1997). As mentioned earlier, the use of flexible staffing arrangements is widespread among establishments of all sizes and in all industries. Nevertheless, the writers indicated that it is necessary to attempt to identify the types of flexible employment that tend to occur in the secondary labor

market, creating especially difficult conditions for those workers who are denied access to the standard, or traditional, labor contract.

It is undeniable that flexible working patterns have been the focus of considerable comment and much controversy for some years. According to Papalexandris and Kramar (1997), flexible working arrangements provide flexibility in a number of areas such as working time, place of work, task or job content, and rewards. Flexibility in working time includes a variety of arrangements for part-time work, job sharing, flexi-time, fixed-term contracts, subcontracting and career/employment break schemes.

Kerr and Jackofskt (1989) noted that flexibility is a function of the range of responses available and the speed with which they can be mounted. They highlighted the fact that development creates flexibility through creating slack/redundant managerial resources, ensuring the existence of credible champions for new initiatives, and instilling managerial values and attitudes that encourage rapid response. However, in order for organizational flexibility to exist, it must be present throughout the entire organization rather than being confined to a small subset of individuals.

Millman (1991) seems to argue for flexibility with regard to HR (Human Resources) practices, defining human resource flexibility as “the capacity of HRM (Human Resource Management) to facilitate the organization’s ability to adapt effectively and in a timely manner to changing or diverse demands from either its environment or from within the firm itself”. Snow and Snell’s (1993) emphasis on creating flexibility through hiring people based on their value creation skills and MacDuffie’s (1995)

emphasis on flexibility stemming from broad employee skills on the other hand, seem to argue more for flexibility being a product of the skills of the employees.

The resource flexibility of the HR practices refers to the extent to which they can be adapted and applied across a variety of situations. Two aspects of this flexibility are important. According to Snell and Wright (1997), the first is the question as to how applicable given HR practices are across a variety of situations. This issue deals with the general applicability of a HR practice across jobs and situations in terms of the extent to which the practice must be entirely redesigned or redeveloped to apply to a different situation. Meanwhile, the second issue questions the extent to which practices are rigidly applied across situations, even when not applicable and this refers to the extent to which they are rigidly applied across varying situations and sites.

Carnoy, Castells and Benner (1997) stated that the primary forms of flexible employment are as follows:

- a) Individuals hired through temporary employment agencies;
- b) Individuals hired directly by firms on a temporary, contract, or project basis;
- c) Part-time employees;
- d) Certain categories of self-employed persons;
- e) Individuals employed on an informal basis;
- f) Certain categories of subcontracted labor whose conditions of employment are primarily controlled not by the direct employer but by the firm controlling the contracting.

These flexible working arrangements have been introduced for a variety of reasons. These include economic factors and the need to improve productivity and competitiveness, often through strategic human resource management and change programs (Hutchinson & Brewster, 1994). Other reasons for their introduction include changes in the composition of the workforce and the use of flexible working arrangements as a way of recruiting and retaining staff. In some instances, employers have been required to introduce flexible working arrangements as a consequence of industrial agreements. In short, the most common reasons for using flexible work arrangements are to meet fluctuations in demand for the firm's product, to supplement staff due to absences from work, and to reduce labor costs (Clinton, 1997).

Employers' use of flexible staffing arrangements is widespread and growing. Many regard this development as troubling, arguing that companies use these arrangements to increase workforce flexibility, which translates into less job security for workers, or to circumvent employment and labor laws, which often do not cover workers in flexible arrangements (Houseman, 2000).

Because of the diversity in average workers, industry, and occupational characteristics across staffing arrangements, one cannot generalize about the quality of jobs in flexible staffing arrangements. For instance, compared to regular employees, agency temporaries, on-call and day laborers, and other direct-hire temporaries tend to earn lower wages, whereas contract company workers and independent contractors earn similar or higher wages. The same patterns are evident with respect to job stability: the jobs of agency temporaries, on-call and day laborers, and other direct-hire temporaries are less stable than those of regular workers in the sense that they are

more likely to lead to a job switch or unemployment, whereas the jobs of contract company workers and independent contractors have similar or even more stability compared to those of regular workers (Houseman & Polivka, 2000).

The effects of flexible staffing arrangements have hit the Asian countries in the last decade. The countries now face with the permanent crisis of labor flexible: over a decade of national and international policies, strategies and processes of exploitation and control which have demolished the institutional expressions of workers' collective rights (such as collective bargaining, the right to organize, trade union rights, and protection against dismissal), while creating new mechanisms for the suppression of workers' social and economic rights. These include the casualization of work and the decline of regular employment, downward pressure on wages in the name of 'competitiveness', increased working hours, the removal of 'rigidities' such as unemployment security and welfare rights, and the repression or cooptation of trade unions (Folger,1998). Lee and Sivananthan (1996), based on the study conducted from the employers, contractors and contract workers view in the construction, plantation and sawmill industries, stated that the contract workers are being denied of their rights.

Houseman (1998) cited that others contend that employers' use of flexible staffing arrangements has little adverse consequences for workers and may even benefit them. For instance, companies may use flexible staffing arrangements simply to access workers with special skills, to accommodate workers' desires for short hours or temporary work, or to screen workers for regular positions. Moreover, for policymakers confronting high unemployment, the growth of part-time work may

reduce the number of jobseekers or, at least, the number of people registered as such. In other words, it can lower politically-sensitive unemployment rates without requiring an increase in the total number of hours worked.

In fact, economic, technological, social and family changes have encouraged the introduction of flexible working arrangements. According to DeRoure (1995) the trend to flexible working arrangements has economic and social benefits. Not only does it improve productivity and competitiveness, but it is increasingly recognized as a way to reduce unemployment and as an important tool for reconciling work and family life. For workers, it may offer the chance of a better balance between working life and family responsibilities, training, leisure or civic activities. It can also make it easier for workers progressively to enter the labor market or retire from employment. Furthermore, training, development, education and learning have been viewed as distinct concepts traditionally, but such distinctions are becoming increasingly redundant. This is due to the fact that the changing nature of employment and the increase in diversity of the workforce (Garavan, 1997; Goldstein, 1993). Nonetheless, according to Tisdall (1998), there should not be any differences in relation to the training and development cycle of both workers working as flexible and full-time. Their jobs and individual needs must be assessed and programs selected and designed on this basis. The learning environment and learning principles; transfer of and evaluation of learning, applies equally to both group of workers as do related aspects such as performance review and career development.

However, employers may be reluctant to invest in training particular groups of employees because of fears that, once trained, they might leave, especially if the skills

that have been developed are transferable. On the other hand, training can cost less compared to recruiting a new worker; can act as a screening process for recruiting permanent staff, can protect against future skill shortages, and convey what are considered the “right attitudes” (DfEE, 1997).

2.5 Contingent Work

The term “contingent work” was first coined by Audrey Freedman at a 1985 conference on employment security to describe a management technique of employing workers only when there was an immediate and direct demand for their services. Within a few years of its initial usage, the term came to be applied to a wide range of employment practices including part-time work, temporary help service employment, employee leasing, self-employment, contracting out, employment in the business services sector and home-based work (Polivka, 1996).

Basically, contingent workers are those who are employed in jobs that do not fit the traditional description of a full-time, permanent job with benefits (Callaghan & Hartmann, 1991). The Bureau of Labor Statistics (BLS) in 1989 developed the concept of contingent work, as jobs where an individual does not have an explicit or implicit long term employment contract. In essence, a contingent worker was defined as anyone who was in a job currently structured to be of limited duration.

To some, the terms “contingent work” and “bad jobs” are synonymous, although that was not necessarily what was intended when the phrase was originally coined (Polivka, 1996). Contingent workers face a lack of equity in pay, benefits, security, and basic labor rights. On average they receive lower pay and benefits than regular,

full-time workers who do the same work. That discrimination affects not only those in contingent jobs, but also other workers who are forced to compete with them and community members who are affected by the consequences of insecurity and discrimination. Contingent work is an issue for contingent workers, but it is also a social issue for our entire society.

2.5.1 Three Perspectives on the Implications of Contingent Labor

Journalist (Morrow, 1993), consultants (Bridges, 1994; Davis & Meyer, 1998), lawyers (Pranschke, 1996; Jenero & Scheiber, 1998) and social scientists (Cohen & Haberfeld, 1993; Davis-Blake & Uzzi 1993; Pfeffer & Baronm, 1988) have interpreted the socio-economic implications of contingent labor from three distinct points of view: organizational, institutional and free agent perspectives.

Taking the perspective of the employer, contingent labor is viewed as a strategic response to increasingly competitive and turbulent environments (Handy, 1989; Bradach, 1997). Firms use contingent labor to fashion a strategy for controlling costs, achieving operational flexibility and managing intellectual capital. Organizational analysts also claim that contingent labor enables a firm to adjust the size and composition of its labor force and hence, respond more flexibly to economic, strategic and technological changes (Harrison & Kelley, 1993). Finally, some organizational theorists have argued that using contingent workers enables firms to manage the flow of knowledge more effectively (Handy, 1989).

Analysts who adopt an institutional perspective define contingent employment in a broader context. They are primarily concerned with the collective welfare of

employees and, by extension, society as a whole (Osterman, 1988; Cappelli, 1999). The expansion of the contingent labor force is viewed as a development that threatens the stability of the system. This is because the type of jobs that once defined the core are themselves no longer secure, a development that has led to query on the continued utility of the distinction between core and periphery (Osterman, 1996). The concern is therefore that these developments are undermining the well-being of a growing number of workers and their families (Christensen, 1998).

The free agency perspective fully endorses the development of contingent workers. They portray organizational employment as constraining and unjust and contend that jobs and careers are outmoded inventions of the industrial revolution designed to meet the needs of large organizations (Bridges, 1994). In addition, organizational employment is seen as constraining and unjust. In the trend towards downsizing and limited terms of employment, the return to craft-based models of employment centered on marketable skills that release people from the stifling confines of bureaucracy (Caulkin, 1997; Pink, 1998).

2.5.2 Organizations and Contingent Employment

Changing realities of work and organizations require coping and adaptation from organizations as well as from individuals. Reilly (1998) has recently asserted that growing numbers of companies are obliged to use various forms of employment contracts to attain the flexibility that is required for survival in the highly turbulent business world. However, rarely any discussion to investigate whether organizations are “really” more flexible, cost effective or competitive was put forward.