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## A Study of Contract Employment as a Suitable Alternative to Permanent Employment

### Abstract

#### Author

##### Muhammad Azhar Sheikh

Lecturer in the Dept of Commerce, The Islamia University of Bahawalpur.  
Email: [sheikhazhar2005@yahoo.com](mailto:sheikhazhar2005@yahoo.com)

##### Farrukh Naveed

Lecturer in the Dept of Commerce, The Islamia University of Bahawalpur.  
Email: [farrukhnaveed@gmail.com](mailto:farrukhnaveed@gmail.com)

##### Muhammad Javaid Iqbal

Assistant Professor in the Dept of Commerce, The Islamia University of Bahawalpur.

Contract employment is potential instrument to shorten unemployment duration and might increase or decrease the future earnings, Marloos(2005). An attempt is made to study the variables like absenteeism ratio, satisfaction level, preference of people, sense of achievement, happiness of life, chances of advancement or promotions, behavior of superiors, behavior of colleagues and subordinates of contract employees and of permanent employees. The estimation results of our treatment effects model actually indicate a positive connection between fixed term employment and job satisfaction.

### Introduction

Unemployment is a central problem because when unemployment is high, resources are wasted and people's incomes are depressed; during such periods, economic distress also spills over to affect people's emotions and family lives. It is observed from the research that productivity and motivation of employees is directly related to job environment and the satisfaction level of employees with their jobs.

By looking into different studies it may be noticed that contract jobs are becoming more and more popular these days and this system is getting preference by most of the organizations. Although contract based jobs can increase the productivity level of employees but in spite of many advantages, it has many drawbacks also, which create many problems for employees. Temporary jobs can create a sense of discontentment and mental sickness for employees. Here we want to search out the possible factors and environment which gives maximum benefits to employers and employees as well,

like satisfaction level, preference of people, sense of achievement, happiness of life, chances of advancement or promotions, behavior of superiors, behavior of colleagues and subordinates of contract employees and of permanent employees. Finally to make suggestions regarding policy making for hiring of employees, especially in public sector.

### Economic impact

From Okun's law we know that for every 2% fall in GNP relative to potential GNP, the unemployment rate rises by 1% point. High unemployment is a symptom of waste — for during recessions, when unemployment is high, the economy is not producing up to high level. When economy is not producing sufficiently, we can say that we are unable to use our full resources for production purposes. Economy will not grow as fast as it can if become able to produce at high level

### Objectives:

The objectives of the study are to:-

- Measure the satisfaction level of the employees based on their type of jobs (permanent or contractual).
- Provide support to the policy makers at macro level in designing and launching the policies for recruitment of employees
- Measure the preference of the prospective employees for permanent and contract job.

### Literature Review

Marloos (2005) stated that the use of temporary employment contracts has increased dramatically in Western societies over the last few decades. A wide variety of contracts such as fixed-term contracts, temporary agency work or on-call contracts serve the purpose of providing flexibility to employers in a world where employment protection impedes smooth adjustment of the workforce. Temporary work arrangements offer potential ways to avoid adjustment costs. He said there is an extensive debate on the extent to which such jobs improve welfare and he discusses the economic and social consequences of temporary work.

He argues that we have to determine the effects of the existence of temporary employment on unemployed individuals, temporary workers, regular workers, employers and the macro effects for society as a whole. He gives his experience by saying that consequences for the unemployed; temporary employment might be beneficial because it gives them opportunities to enter the labor market. Boveret al. (1998) estimated duration models of unemployment. He found that unemployment durations are strongly related to the share of fixed-term contracts in the economy, even after controlling for business cycle effects. He argued that Fixed-term contracts were found to have a sizable positive effect on the hazard of leaving unemployment. On the other hand, he argued that these contracts are almost sure to raise the hazard of entering unemployment as well. Thus, the existence of temporary employment increases the frequency that individuals get unemployed, but reduces the duration. It is often argued by Moosly (1999) that the existence of temporary work might be beneficial to currently unemployed workers, because it provides them opportunities to gain work experience and acquire human capital, to deepen the attachment to the labor market, and to search more

effectively for more desirable jobs. Temporary work might improve probabilities of finding regular employment. Some individuals that would otherwise not have been able to find a regular job might find work using temporary employment as a stepping-stone. He declares that most researchers address this issue by correcting for observed differences between those individuals who are observed in temporary work and those that do not. There are however also strong indications that unobserved differences, such as motivation to work, might be of influence.

Sanders (2000-02) said that temporary employment relationships in particular may affect the social relationships between workers in modern organizations. The question is what happens if organizations demand soldierly behavior of employees and labor flexibility at the same time. Applying this to the example of the soccer team, the question can be posed how hard the players will run if their relationship with the others in the team will be temporary. And, in organizational teams the question may be asked whether employees who have to work closely together for a short period of time and whose relationship with co-workers ends in the near future are less willing to show solidarity to each other by contributing to the common good. He argued that the number of people working through temporary employment arrangements has grown considerably. This development has been called "one of the most spectacular and important events that has occurred in labor markets". He said within team structures, employees are expected to coordinate their tasks and monitor the quality of each other's work. This requires contributions from each individual to the common team goal. Ensuring everyone's contribution can be problematic in teams because every individual member will be interested in the benefits that the team can offer, but less in putting a lot of effort into it. Organizations that employ many temporary workers able to bring about cooperation between different actors or are they creating an imbalance between the demand for and the supply of cooperative types of behavior. On the one hand, firms are encouraged to invest in their personnel because these are unique human resources consisting of capabilities which are regarded as a primary source of competitive advantage.

Corseni and Marco sharing their experience by saying that, In the last 10 years,

reforms aimed at increasing flexibility have led to considerable changes in the Italian labour market. The relatively high unemployment rates that characterized the end of the 80s called for a modernization of labour market institutions. Therefore, new contractual categories have been introduced to allow firms a more flexible use of the workforce. An evaluation of this process may lead to different conclusions. On the one hand, they can see flexible work as a device for reducing lay-off costs and solving the adverse selection problems that employers face in selecting new employees (Bentolila and Bertola, 1990). According to this point of view, temporary employment is a sort of necessary bridge towards permanent employment. On the other hand, flexible work may be just a device for reducing labour costs and generating precarious employment.

J.C Anney says, It is widely agreed that bilateral contracts tend to be grossly incomplete. The issue is not so much that the parties agree to terms later, but that many terms never are agreed upon. In particular, a lot of decisions made during the life of a contract are absent from it and instead tacitly delegated to one of the parties. They propose to explain this based on the desire to economize on bargaining costs. By ceding the right to have influence on items about which they care little, players save bargaining costs for themselves and their opponent. We show that the threat of renegotiation (*ex post* bargaining about a decision at first tacitly delegated to one of the parties) can facilitate incompleteness by restraining the selfishness of decision-makers. In the limit, researchers get a very strong result: If there is no private information and renegotiation costs are the same as bargaining costs, the players may leave all non price clauses out of the contract. In contrast to the direction of causality emphasized by the literature, this result then implies that a stronger threat of renegotiation can support less complete contracts.

Olympla & Ramon express their experience, They investigate the determinants of exit rates from unemployment to permanent and temporary jobs. First, they present a theoretical model to discuss the effects of reservation wages, unemployment benefits and job offers on the exit probabilities to permanent and temporary jobs. Then, using micro data from the Spanish Labour Force Survey they estimate a multinomial duration model, including unemployment benefits the cycle and personal

characteristics. Important differential effects are unmasked by distinguishing by type of employment. The negative impact of receiving benefits dominates the combined effect of business cycle variables in exits to temporary employment but not to permanent jobs.

Aside from a well-known high unemployment rate, the Spanish labour market has another distinctive characteristic: an extensive use of temporary employment. At the end of 1984, new fixed-term contracts (with lower firing costs than the traditional permanent contracts) were introduced in an attempt to ease strong employment protection and foster net job creation. Since then, temporary employment has seen unprecedented growth reaching over 30% of total employees in recent years. The empirical evidence on exits from unemployment to employment usually does not distinguish by type of employment found. This is justified for many countries but not necessarily for those with a high proportion of temporary employment. In Spain, since 1984, the probability of receiving a permanent job offer is much lower than the one of receiving a temporary one, other things equal. In contrast, the influence of benefits on the reservation wage may be less negative if the offered job is permanent rather than temporary, given the likely higher utility attached to higher job stability. Therefore, the results of the papers that do not distinguish by type of employment (notably Bover, Arellano, and Bentolila (2002) for Spain) may compound two very different effects. They show in this paper that this is the case for the estimated impacts of some important economic variables.

Beckmann (2005) stated that job satisfaction on average is not negatively affected by the pure duration of an employment contract, but individual characteristics, job related factors and working conditions.

### Research Methodology

In this study a sample has been taken comprising of 150 members from public sector organizations in Bahawalpur including education, health and banking sector. The sample was comprised of 120 on-job employees and 30 prospective employees. Out of 120 on job employees 60 were contractual employees and the remaining 60 were permanent employees. Preferences of

the prospective employees have also been analyzed in this study and a sample of 30 prospective employees is also taken.

Our key respondents include both male and female employees and prospect employees of age between 22 to 45. Having qualification Intermediate to Master level. Simple random sampling technique has been used.

Investigation has been completed using structured questionnaires which include the questions like satisfaction level, preference of job either permanent or contractual, sense of achievement, happiness of life, chances of advancement or promotion, behavior of superiors, behavior of colleagues and subordinates both of contract employees and of permanent employees. To analyse the data statistical techniques like frequency distribution and cross tabs has been used in SPSS software and MS Excel.

In order to measure the satisfaction level of employees, various factors are taken and the same are rated on the basis of scores of each factor. These factors include; medical facility and other fringe benefits, behavior of superiors and colleagues, chances of promotion, job security, and remuneration.

### **Discussions and Conclusion:**

Analysis of on-job employees reveals that 55% employees are satisfied with their jobs. 17% employees have neutral behavior; they are not dissatisfied, nor satisfied with their jobs. The remaining 28% employees are dissatisfied with their job. Further analysis shows that the large number of the dissatisfied employees belong to the contractual jobs. So their type of job may be one of the reasons of dissatisfaction because there is not a single employee who is dissatisfied with the job in the category of permanent employees. Most of the permanent job-holders are satisfied with their jobs. Some interesting facts can be extracted from the collected data like; some contractual employees feel that they are satisfied with their job. The fraction of such employees constitutes 6.67% of the total sample and 13.3% of the stratum of the contractual employees in the sample. An investigation has made to find out the reason of satisfaction from the view point of their social responsibility. It was discovered that most of the satisfied contractual employees are un-married. This could be one of the reasons that their social

responsibilities are tend to be lesser as compared to the married contractual employees.

In order to measure the satisfaction level of the employees, various factors are taken and the same are rated. One of the important factors of job satisfaction is the happiness of life that comes from job. Majority of permanent employees are of the view that the happiness of the life comes from job, whereas the contractual employees have different opinion. Most of the contractual employees disagree with the statement that their job is the mean of pleasure in their lives. So far the facilities and fringe benefits which are usually provided to the employees are concerned, contractual employees are not enjoying handsome facilities as compared to permanent employees. Almost all the contractual employees are not happy with the facilities make available to them by their employer.

One of the important things for good performance of the employees is the behavior of their supervisors, colleagues and subordinates. For the behavior of colleagues and subordinates, responses of contractual employees and permanent employees are same. Majority of both group think that the behavior of their colleagues and subordinates is good. As for the behavior of superior is concerned, 30% of the contractual employees think that the behavior of their supervisors or boss is not as better as it should be.

Labor is one of the factors of production and plays an important role in the development of the economy. If it is desired to increase the productivity of the employees, then it is necessary to remove the above mentioned discriminations. Broadly speaking, when both tiers of the workforce will be satisfied, they would be willing to exert high level of efforts, which are not only required for the success of the organization but also for the development of the economy.

### **Recommendations**

In view of the above findings it is suggested that:

- In public sector more jobs should be designed on permanent basis instead of contract basis

- Contract jobs if offered must be accompanied with more fringe benefits like medical facilities schooling of children, transportation, Insurance etc to make
- Contract jobs more attractive and preferable for people.
- Some people prefer contract jobs, so the preference of such people should also be considered in recruitment process.
- Rules and Regulations must be framed to make the behaviors of superiors and juniors favorable for contract employees.
- Equitable and reasonable chances of advancement and promotion for both types of employees also be framed.

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**Annexure**

The above table is displaying the satisfaction level of the employee regardless of their job status and type. From the above table, it can be extracted that 45.8% employees are

**strength of satisfaction**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Satisfied	55	45.8	45.8	45.8
Dissatisfied	27	22.5	22.5	68.3
Neutral	21	17.5	17.5	85.8
Hightly Satisfied	11	9.2	9.2	95.0
Highly Dissatisfied	6	5.0	5.0	100.0
Total	120	100.0	100.0	

**strength of satisfaction \* Job status Crosstabulation**

Count

		Job status		Total
		contract	permanent	
strength of satisfaction	Highly Dissatisfied	6	0	6
	Dissatisfied	27	0	27
	Neutral	19	2	21
	Satisfied	5	50	55
	Higly Satisfied	3	8	11
Total		60	60	120

**strength of satisfaction \* Job status \* Martial status Crosstabulation**

Count

Martial status			Job status		Total
			contract	permanent	
married	strength of satisfaction	Highly Dissatisfied	5	0	5
		Dissatisfied	12	0	12
		Neutral	7	0	7
		Satisfied	2	27	29
		Higly Satisfied	0	5	5
Total		26	32	58	
single	strength of satisfaction	Highly Dissatisfied	1	0	1
		Dissatisfied	15	0	15
		Neutral	12	2	14
		Satisfied	3	23	26
		Higly Satisfied	3	3	6
Total		34	28	62	

**life happines comes from job**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	7	5.8	5.8	5.8
	disagree	32	26.7	26.7	32.5
	neutral	20	16.7	16.7	49.2
	agree	34	28.3	28.3	77.5
	strongly agree	27	22.5	22.5	100.0
Total		120	100.0	100.0	



**Job is charming**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	15	12.5	12.5	12.5
disagree	13	10.8	10.8	23.3
neutral	15	12.5	12.5	35.8
agree	42	35.0	35.0	70.8
strongly agree	35	29.2	29.2	100.0
Total	120	100.0	100.0	

**All medical and other facilities are provided**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	16	13.3	13.3	13.3
disagree	35	29.2	29.2	42.5
neutral	22	18.3	18.3	60.8
agree	34	28.3	28.3	89.2
strongly agree	13	10.8	10.8	100.0
Total	120	100.0	100.0	

**good superior behaviour**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	7	5.8	5.8	5.8
disagree	14	11.7	11.7	17.5
neutral	16	13.3	13.3	30.8
agree	43	35.8	35.8	66.7
strongly agree	40	33.3	33.3	100.0
Total	120	100.0	100.0	

**good subordinate behaviour**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	5	4.2	4.2	4.2
disagree	11	9.2	9.2	13.3
neutral	14	11.7	11.7	25.0
agree	42	35.0	35.0	60.0
strongly agree	48	40.0	40.0	100.0
Total	120	100.0	100.0	



**good colleagues behaviour**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	5	4.2	4.2	4.2
disagree	8	6.7	6.7	10.8
neutral	10	8.3	8.3	19.2
agree	42	35.0	35.0	54.2
strongly agree	55	45.8	45.8	100.0
Total	120	100.0	100.0	

**contractual job is good alternative of permanent job**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	67	55.8	55.8	55.8
disagree	43	35.8	35.8	91.7
neutral	3	2.5	2.5	94.2
agree	3	2.5	2.5	96.7
strongly agree	4	3.3	3.3	100.0
Total	120	100.0	100.0	

**life happiness comes from job \* Job status Crosstabulation**

		Count		Total
		Job status		
		contract	permanent	
life happiness comes from job	strongly disagree	5	2	7
	disagree	31	1	32
	neutral	9	11	20
	agree	13	21	34
	strongly agree	2	25	27
Total		60	60	120

**All medical and other facilities are provided \* Job status Crosstabulation**

		Count		Total
		Job status		
		contract	permanent	
All medical and other facilities are provided	strongly disagree	16	0	16
	disagree	31	4	35
	neutral	2	20	22
	agree	5	29	34
	strongly agree	6	7	13
Total		60	60	120

**Facilities are satisfactory \* Job status Crosstabulation**

		Count		Total
		Job status		
		contract	permanent	
Facilities are satisfactory	strongly disagree	21	1	22
	disagree	31	5	36
	neutral	1	14	15
	agree	5	29	34
	strongly agree	2	11	13
Total		60	60	120

**job future is secure \* Job status Crosstabulation**

		Count		Total
		Job status		
		contract	permanent	
job future is secure	strongly disagree	27	0	27
	disagree	27	0	27
	neutral	1	3	4
	agree	2	34	36
	strongly agree	3	23	26
Total		60	60	120

**good superior behaviour \* Job status Crosstabulation**

		Count		Total
		Job status		
		contract	permanent	
good superior behaviour	strongly disagree	7	0	7
	disagree	10	4	14
	neutral	10	6	16
	agree	20	23	43
	strongly agree	13	27	40
Total		60	60	120

**good colleagues behaviour \* Job status Crosstabulation**

Count

		Job status		Total
		contract	permanent	
good colleagues behaviour	strongly disagree	5	0	5
	disagree	8	0	8
	neutral	7	3	10
	agree	22	20	42
	strongly agree	18	37	55
Total		60	60	120

**good subordinate behaviour \* Job status Crosstabulation**

Count

		Job status		Total
		contract	permanent	
good subordinate behaviour	strongly disagree	4	1	5
	disagree	8	3	11
	neutral	9	5	14
	agree	27	15	42
	strongly agree	12	36	48
Total		60	60	120

**Contractual jobs help in poverty reduction \* Job status Crosstabulation**

Count

		Job status		Total
		contract	permanent	
Contractual jobs help in poverty reduction	strongly disagree	25	29	54
	disagree	14	18	32
	neutral	4	5	9
	agree	12	6	18
	strongly agree	5	2	7
Total		60	60	120

**contractual job is good alternative of permanent job \* Job status Crosstabulation**

Count

		Job status		Total
		contract	permanent	
contractual job is good alternative of permanent job	strongly disagree	34	33	67
	disagree	20	23	43
	neutral	3	0	3
	agree	1	2	3
	strongly agree	2	2	4
Total		60	60	120

### **Aims and Scope**

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**Equations, Tables and Diagrams:** Should be clear & accurate and on the right place

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**Appendix:** At the end of the paper

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