

## Gauging Performance of Contractual Employees. Developing and Proposing a Conceptual Model

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**Abstract:** Current business trends have an immense focus on the performance management of contingent work force. Almost all organizations hire contractual employees to support the core employees. So gauging the performance of contractual employees is an obvious requirement for the globalised organizations. In this paper, certain important facets which can contribute to performance of contractual employees will be discussed thus enhancing motivation of contractual employees. Supportive communication climate, Proactive Knowledge Sharing, Workplace safety, Performance based pay, Team work, Person- Environment fit(P-E Fit) and Training are crucial factors which can accelerate the performance of contractual employees thus leading to organization's success. The immense focus on these areas will aid in developing strategies for not only benefiting but also retaining the contractual employees. This study will be a valuable addition to the understudied aspect of enhancing and motivating contractual workforce.

**Key words:** Contractual employees • Supportive communication climate • Proactive knowledge sharing • Workplace safety • Performance based pay

### INTRODUCTION

Intensified global trends and the speedy technological advancements have raised concerns for firms to have a staunch focus on enhancing efficiency and flexibility in combating markets trends, demands as well as utilization of human assets [1]. The advanced global trends in competitive business scenario have placed immense pressure on the human resource professionals [2]. This involves reciprocating responsively to the changing working conditions, requirements and trends. In fact, the advent of global factory has intensely altered the formal into informal [3]. The traditional employee –organization models are challenged by the rapid shift towards non- traditional employment [4, 5]. The formal employment trends have been replaced with the informal and flexible working trends and one of these trends is the emergence of contractual employees.

Contractual employees are regarded as the entities which are involved in provision of flexibilities and set of capabilities absent in the firm [6]. Contractual employees are those employees which are hired by organization for a specific period of time under a contractual worker

agreement [7]. They are not the part of traditional hierarchal setup of the organization [8]. These employees are hired for certain period of time and based on the performance evaluation the contract is renewed after the set tenure. [9] highlighted that the services of contractual workers rest upon the particular job or duty for which they are hired in organization. They are laid out after a specific period but may be retained if need arises or another requirement comes on stream. Contractual employees are hired by the organizations for various purposes such as shielding core employees [10], capturing the required human capital [11] and boosting the capabilities to counter the market trends and consumer demands [12].

Firms often go for contractual workers to increase the performance of overall workforce [13] and for enhancing the flexibility of organization in the time of crisis by having access to effective human capital in the time of crisis [11]. A company mostly hires the contract employees due to their valuable skills which positively contribute towards organizational success [11]. The contractual workforce can contribute towards organizational outcomes and effectiveness through the unique set of skills and abilities they possess.

**Statement of Problem:** There is a growing trend of hiring contractual employees to support the core employees. Contractual workers have become not only knowledge pool but also a source of competitive advantage for many organizations. The developing countries are also following the footsteps of other developed countries in promoting the contingent and diverse workforce. If the developing countries discover how to manage the performance of contractual workers they can also yield motivated and productive workforce. The global trends have challenged the traditional employee-organization relationship model and now non - traditional ways and means of dealing with diverse workforce have arisen.

Keeping abreast of the above viewpoint the researcher plans to propose a model assessing the performance of contractual workers.

**Value and Originality of Data:** The performance management of contractual employees is an issue that is neglected in research literature. There are very few studies addressing this area focusing on exploring and assessing the performance of contractual workforce. This study recommends a model to address the performance facet of contractual employees. This will come out to be a significant contribution to the body of knowledge.

#### **Objectives of Study:**

- To develop a conceptual model proposing certain facets contributing to the performance of contractual employees.
- To probe certain factors that can be motivators and enhancers of the performance of contractual employees.

#### **MATERIALS AND METHODS**

This is a qualitative and theoretical study that utilized a thorough examination of existing literature on contractual workers and different facets which can contribute towards their utilization. As there are only few studies focusing on performance of contractual employees, So finding the relevant literature which can contribute towards creation of a comprehensive model was a tedious process.

**Literature Review:** [14] highlighted a viewpoint that it is the duty of management to characterize and evaluate the performance of workforce. A skillful management that understands the issues related to employees can affect

the perceptions of employees in an optimistic manner. Thus the performance management system that accurately analyses the performance of employees will enhance the positive image of top management support and abilities. Organizations that recognize the worth of an effective, experienced and dynamic workforce develop a competitive edge. Performance management is regarded as an amalgamation of mechanisms which facilitates enhanced performance by adopting effective management practices [15]. Likewise, [16] envisaged that overall performance of a particular organization rests upon gauging the performance of individuals. It involves gaining high performance by discussing expectations, defining the duties and responsibilities and establishing attainable standards [17] envisaged that work organizations can enhance the task performance through the efficient human resource which builds a pathway towards organization. [18] represented a viewpoint that high performance work systems can influence the overall organizational performance by exercising a staunch impact on employee turnover and labour efficiency.

Firms are utilizing diverse ways of employment involving hiring of permanent employees and contractual labor on the basis of certain strategic reasons [19] and market demands. Likewise firms have altered the modes and overall scope of HR investments and performance management strategies just to manage the employment relationships between the employees and contractual labor [20]. [11] highlighted that seeking skillful contractual employees can enhance the organizational efficiency and lead to success.

On the grounds of agency theory [21] an agency problems emerges at the instant when the goals of principal (Manager) and agent (contractual employee) do not coincide and it becomes tiresome for manager to monitor the performance of contractual employee. So some degree of independence must be accorded to the contractual employees for efficient performance outcomes [22]. The review of literature facilitated the author to develop a conceptual model regarding performance of contractual employees.

**Conceptual Model:** The main purpose of the paper is to develop a model targeting the performance of contractual employees. This model is a healthy and original contribution to the body of knowledge as there are very few studies having a focus specifically on contractual employees. Review of literature highlights certain areas which can be utilized to construct an elaborative model for contractual employees.

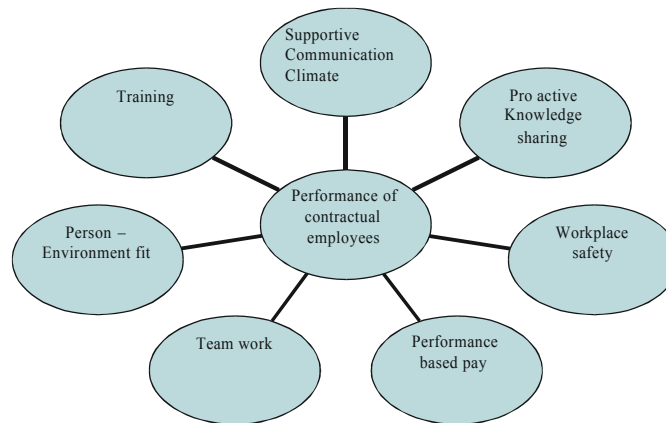


Fig. 1: Performance management model of contractual employees  
Sources [23], [24], [25], [26] Researcher's own processing.

**Model Elaboration:** The Model Constructs Can Be Elaborated as Follows,

**Supportive Communication Climate:** The efficient and supportive communication climate will encourage the performance of employees and thus will nurture favorable work environment [23]. Efficient communication positively boosts the performance of organizational sources [26]. The exchange of information and enhanced communication will promote an just and equitable organizational atmosphere [23] which will give contractual employees a perception that they are insiders of the organization. Contract workers are also a crucial part of organization so it is essential that they should be included in internal communication and meetings of organization encompassing information sharing [22]. Contractual employees will recognize that there is equality and no discrimination between core and contractual employees as all crucial decisions are communicated to them as to other employees of organization.

**Proactive Knowledge Sharing:** Knowledge sharing encompasses the spread of information and creation of collaborative atmosphere to encourage problem solving, development of new ideas or implementation of certain policies [27]. Knowledge is a force that influences "action" [28] and this action can be depicted as enhanced employee performance. So, it is crucial to create such an environment which promotes the creation and sharing of knowledge. An organization which discourages knowledge hiding will encourage contractual employees to adjust more easily. Thoughtful and timely knowledge sharing will motivate contractual employees and make them feel worthy to the organization in the perspective

that organization encourages knowledge sharing practices.

**Workplace Safety:** The primary right of employee is to get protected from the health and safety hazards [29]. Safer workplace increases involvement and positively influences the performance of workforce [30]. When a particular organization ensures the workplace safety of employees, they feel satisfied with their job which increases their performance [31, 32, 33]. A well organized and safer workplace triggers the morale of employees and enhances organizational outcomes [34]. The contractual employees should be equipped with the sense of being safe and secure in the organization. If the work environment is safe, contractual employees will feel comfortable to perform because commonly contractual employees develop a perception that they are discriminated from regular employees on grounds of providing safety.

**Performance Based Pay:** According to [35], there is a strong relation between the performance base pay and contribution of employees towards high performance. Pay on the base of performance can create the environment in achieving desirable performance from the employees [36]. Organizations that have adopted the performance base pay system have more effective workforce with increased performance and productivity of workers [37, 38, 39]. Performance base pay aligns the interest of contract employee with the interest of organization which boosts the potential of employees to perform well [40]. If the contractual employees are paid in accord with their performance, they will be encouraged to perform more because they are hired for a specific period of time and are

not regular employees. Performance based pay will motivate contractual employees to perform more.

**Team Work:** Team work increases the feeling of empowerment among the workers about their work which results in the higher productivity of employees [41, 42]. Research has shown that employees who are working as a team can generate more output as compare to those who works individually [43]. The organization which encourages team work will create an environment where the contractual and regular employees work in a collaborative atmosphere thus involving helping behavior towards each other and enhancing overall performance.

**Person- Environment Fit:** Person-Environment fit envisages the compatibility between the characteristics of employee and the work environment [44, 45]. It highlights the congruence and homogeneity between the traits of employee and the features of the work environment. The compatibility between the characteristics of contractual employees and the work environment will encourage contractual workers to perform more. Person-environment fit is a multidimensional concept comprising of three dimensions; Supplementary vs. complementary fit [45] where supplementary fit is the possession of homogeneous characteristics with other individuals while complementary fit is the possession of qualities required by the organization. Demands abilities vs. Needs supplies fit [45] where the individual possess the qualities and abilities required by the organization and Needs supplies fit envisages that individuals desires, needs, requirements and preferences are being met by the supplies of the organization [46] and Actual vs. Perceived fit [47] where perceived fit is only perception that individual fits in the work environment while actual fit is actual homogeneity in characteristics of individual and environment.

In perspective of contractual employees P-E fit is something to be given prime importance. While the contractual employees it should be kept in mind that the contractual employees possess characteristics homogenous to the work environment so that they take less time to adjust with the organizational environment. Contract employees should be a picture of complementary fit [45] because they are mostly hired for expertise that fills the knowledge gap in the organization [48]. Moreover, Organizations should also keep an eye on the fact that the contractual employees provide them with the unique abilities which are the demand of particular organization

(Demand Abilities fit). So it is crucial that the organization's supplies which can be in the form of compensation package, trainings or supportive culture should meet the desires and preferences of contractual workers (Needs supplies fit). Proceeding further organization should ensure the presence of actual fit [47] between contractual employees and the organization.

**Training:** Employees can only give superior performance when good quality of training has been provided to them [49]. Researchers has been evidenced that there is a positive relationship between training and improvement in employees performance [50]. Infact, training is a crucial factor in enhancing employee performance [26]. Organizations by investing in training can generate high performance return from their employees, which increases the morale and productivity of employees and organization [51]. Mostly providing training to contractual workers is not the primary concern of organizations [52] which deteriorate the performance of contractual workers [53]. Contractual workers are mostly considered as temporary workers due to which firms allocate very less resources for the training of contract employees as compare to permanent employees [54-55], which increases the level of risk regarding to their performance [56]. But it is beneficial to train contractual employees about the jobs they are going to perform. The perception that training contractual employees is wastage of resources is wrong because sometimes it is needed to make the contractual employees equipped with the specific job training.

**Future Directions:** This study can be regarded as one of the footsteps for researchers to further develop conceptual and empirical studies focusing on contractual employees so that their value and worth can be recognized in organizations. Moreover, future studies should develop a trend to study the performance management practices for contingent workers.

## **RESULTS AND CONCLUSION**

The realization of importance of contractual employees is crucial for organization. Contractual employees are the "knowledge pools" who are in the organization for a set span of time. So there is an immense requirement that the organization should be benefitted from their knowledge, skills and abilities .Moreover and such strategies must be developed that motivate and encourage the contractual employees so that they show required performance and outcomes.

## RECOMMENDATIONS

There should be a staunch focus on the performance contractual employees working in organizations. The performance of contractual employees can be enhanced through adoption of specific strategies designed for contractual workers instead of neglecting and discriminating them on the grounds that they are not permanent employees. According to norm of reciprocity (1960) when a party facilitates the other it creates an obligation on the other party to respond by indulgence in behaviors favorable to the former. When contractual employees perceive that organization is nurturing Person-Environment fit, supportive communication climate, proactive knowledge sharing, workplace safety, performance based pay, team work and training, they will feel indebted to reciprocate by indulgence in performance favorable to organization.

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