THE INFLUENCE AND IMPACT OF LONG-TERM AND SHORT-TERM CONTRACTS ON EMPLOYEE BEHAVIOR
- A STUDY OF NIGERIA’S BANKING INDUSTRY

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Abstract

The human resources strategies and employment arrangements adopted by banks within the Nigerian Banking sector have undergone several changes over the years. These changes have potential negative impacts on employee behavior over time. Research about employment contract of banking employees in developing countries like Nigeria is not readily available. The main goal of this research was to evaluate the existing relationship between short-term and long-term contracts and employee behavior. Data were analyzed from 600 (n) banking staff within Nigeria’s 77,600 (N) bank employees. Correlation analysis was performed to determine the existing relationship between short-term and long-term contracts and the behavior of the employee with reference to their level of job satisfaction. The study established a negative correlation between type of contract and employee behavior. There were significant differences between the type of contract and the employee behavior. Findings revealed that employees working under long-term contracts experience higher levels of job satisfaction and therefore exhibit more positive behavior than employees on short-term contracts.

Keywords: Employment contract, long-term contract, short-term contract, employee behavior

INTRODUCTION

This topic investigates the influence and the impact of short-term and long-term contract employment in an organization. The study focused on Nigeria's banking sector which has significant number of employees on short-term contract employment. As indicated by Okoye and Aderibigbe (2014), the past four decades have been characterized by a global upsurge in
the number of organizations that employ workers in short-term basis. This has been ascribed to economic instability and uncertainty (Jackson, Schuler and Jiang, 2014). Further, the situation can be attributed to the increasing global competition and the need to minimize the cost of doing business.

**Background of the Study**

Employment on short-term contract is perceived to be as a result of persistent changes in the working structure across the world and has turned into an important factor in the last four decades as long-term contracts seem to be declining in the different industries (Okoye and Aderibigbe (2014). Although contract employment has been around for a while, the influences and impacts on employees and organizations are yet to be fully established because of the many associated factors that can affect the outcomes.

The labour market has been experiencing a transitional period regarding the type of employment contract, shifting from a long-term contract to nonstandard short-term contract arrangements. Long-term contract arrangements have been the standard in industrialized nations for a significant part of the last century and formed the framework for the development of labor legislations (Cappelli and Keller, 2013). However, in the 1970s, globalization of trade put more pressure on business organizations to increase their profits and compelled them to determine ways to introduce employment flexibility leading to the adoption of non-standard short-term contracts (Cappelli and Keller, 2013). Pedulla (2013) indicates that a number of organizations shifted from long-term contract employments to short-term contracts to minimize on costs and benefits provided to long-term workers (permanent employees). Some organizations use short-term contracts as a probation period to preview potential workers who meet or otherwise fail to meet the performance criteria of the organization and to offer long-term contracts to desired individuals. Other organizations may use this period in their advantage to develop a meaningful employer-staff relationship. (Pedula, 2013).

At times, the yearning for long-term contracts originates from an observation that their salary source is less steady; short term workers would also like to be seen as low risk investments by lenders. While short-term contracts are gradually taking up a higher percentage of employment arrangement and replacing long-term employment, research has determined the consequence of this shift could be as a result of government and employers in industrialized countries pushing for more flexible labour conditions to better business profits (Spreitzer, Cameron and Garrett, 2017). At the same time, the short-term labour market could be pushing for its establishment and liberty from restrictions (Okoye and Aderibigbe, 2014).
In this report, the nature of the contract of employment is used to develop a framework for understanding employee behavior. Employee job satisfaction is defined as “persistent feelings towards discriminable aspects of the job situation that are thought to be associated with perceived differences between what is expected and what is experienced in relation to the alternatives available in given situation” (Smith, Kendall and Hulin 1969, cited in Ntisa, Dhurup, and Joubert, 2016). Therefore, job satisfaction mirrors an employee’s behavior in relation to their assessment of their experience and level of their satisfaction or dissatisfaction with the nature of the contracts of employment. To determine the influence and impact of the contract type on the behaviors of staff with regard to job satisfaction, would require a combination of complex factors. Wilkin (2013) asserts that the predictors of job satisfaction are compensation, job security, working conditions, possibility of growth, and promotion and workload. These variables may be favorable to the employee depending on the nature of the contract. If the impact is favorable, the level of job satisfaction is expected to be positive while unfavorable impacts are expected to produce a negative correlation. This argument is supported by Maslow’s hierarchy of need that indicates that an employee whose needs are met is likely to experience job satisfaction (Niemela and Kim, 2014).

**Problem Statement**

Many short-term contract employees lack legislative protection and are not covered in award schemes while those who are covered may also be evaded during such awards. Short-term employees are known to earn lower wages than their long-term colleagues (Callea, Urbini, Ingusci and Chirumbolo, 2016). A general perception among labour relation professionals that fixed-term/temporary/short-term contracts are different from the conventional permanent/full-time/long-term contract with regard to the status and future of job availability (Kiem et al., 2014). Hence, short-term contracts are often associated with job dissatisfaction. Nonetheless, it is difficult to locate a quantitative research study that documents the difference in employee behavior according to contract type (Wooden and Warren, 2003). The associated low level of job satisfaction with contract type influences the level employee behavior by impacting the possibility of job security and employee prospects (Kiem et al., 2014). Organizations that equate growth to economic boom may have to see short-term contracts as a disappointing event. Non-standard employment contracts are associated with low job satisfaction and therefore negative employee behavior and organization outcomes (Landsbergis et al., 2014). Evidently, understanding the influence and impact of the type of contract should be important to policymakers, social analysts, and business owners. Consequently, the main goal of the report is exploring how the type of employment contract relates to employee behavior.
Objectives of the Study

The primary objective of the study was to evaluate the influence and impact of the type of employment contract on employee behavior. Other specific objectives were:

1) To determine the influence and impact of contract type on employee behavior
2) To determine how the type of contract impact the productivity on an employee
3) To evaluate how Nigeria’s banking sector is coping with the challenges of contract employment
4) To evaluate human resource management trends in Nigeria concerning contract type using local banks as a case study.

Research Questions

1) What influences the choice of employment contract type?
2) How does contract type impact employee behavior?
3) How is the Nigerian banking sector coping with challenges of contract employment?
4) What is trending in human resource management with regard to contract type?

Statements of Hypotheses

Hypothesis 1 (H1): Long-term contracts will significantly impact employee behavior
Hypothesis 2 (H2): Short-term contracts will significantly impact employee behavior
Hypothesis 3 (H3): Job satisfaction will significantly impact employee behavior

LITERATURE REVIEW

This section reviews works done by other researchers in fields related to our topic of study. This section covers long-term contract employment versus employee behavior, short term contract employment versus employee behavior, human resource policies, and factors influencing the choice of contract type.

Long-term Contract Employment versus Employee Behavior

Long-term contract is typically referred to as permanent employment, and work is usually done within the organization with the employer not expecting that the contract will end in the near future (Ntisa, 2011). If an employment contract does not indicate a fixed or determinable date termination, the contract is deemed long-term and can only end according to provisions governing employment and termination of employment including age limit, dismal performance or severe breach of contract terms (Kalejaiye, 2014). Contrary to short-term contracts of employment, long-term work contracts are associated with statutory benefits like minimum
wage, paid leave, insurance, education and training, and protection from unfair dismissal (Tinuke, 2012). These benefits are favorable among employees and are known to influence job satisfaction and hence positive behavior outcomes (Landsbergis et al., 2014). Early Research indicates higher employee satisfaction among long-term employees than short-term employees (Ajani & Adisa, 2013).

**Short-term Contract Employment versus Employee Behavior**

A short-term contract can either be fixed or temporary and it’s characterized by a specific duration upon which it expires either by date or completion of the project at hand. A short-term contract may be terminated by consent from the employer and employee to terminate it or if one of the parties in the contract is deemed to have severely breached the contract. Germany stipulates that short-term contracts should not exceed two years and South Africa stipulates the length of a short-term contract at five years (Ntisa et al, 2016). However, the Labour Act of Nigeria does not give a maximum permissible duration for short term contracts and leaves the decision open and subject to agreement between the parties involved (Republic of Nigeria, 1990).

A short-term contract is often seen as a trap that fosters inequality in the market resulting in inadequate employment relationships in which employers take advantage of employees by evading regulations concerning retrenchment and by terminating contracts when services of the employee are no longer needed. Employees under short-term contracts are often considered to be peripheral and employers will rarely invest in their training and development in the manner typically done to boost employee job satisfaction (Landsbergis, Grzywacz, & LaMontagne, 2014). As such, employees working under such arrangements have been found to exhibit negative behaviours because of low levels of job satisfaction influenced by employment instability associated with the nature of their contract (Landsbergis et al., 2014). Ajani and Adisa (2013) concluded that there is a strong negative correlation between short-term contracts and job satisfaction.

**Human Resource policies**

Human resource policies are administrative systems that are established by organizations to support human resource functions such as resource allocation, employee relations and performance management. Each organization’s policies are different because of the unique circumstances. HR policies provide risk management mechanisms for organizations to stay at par with current trends in human resource industry (Ajani and Adisa, 2013). An organization’s policies must be in line with its vision and the HR department helps to ensure that all levels are
coordinated to achieve the goal of the organization. HR policies in Nigeria have not been revised since the enactment of the Labour Act Chapter 198 (Republic of Nigeria, 1990). Government policies have also stagnated and this may have encouraged the rough landscape of foreign investment in Nigeria (UNCTAD, 2018).

Factors Influencing the Choice of Contract Type
The Dual Labour Market model posits that organizations have two main groups of employees: the primary group and the secondary or periphery group (Cabrales, Dolado, & Mora, 2014). The primary group is also known as the group of long-term contract employees who are typical to certain characteristics such as the continuity of employment which provides job security; also, employees have working spaces at the employer’s workplace and are supervised. The secondary group consists of short-term contract employees who work under different standards of employment often lacking the benefits and supervision associated with long-term contracts. Most organizations have several short-term workers for periods when productivity or demand is lower. Many employers opt for short-term contract because of the following three main reasons: Costs reduction, staffing flexibility and ease of dismissal (Wandera, 2011).

THEORETICAL FRAMEWORK
Social Exchange Theory
According to Wandera (2011) there is no known theoretical framework for analyzing the influence and impact of short-term contracts of employment. However, psychological theories developed for long-term contracts could act as a stepping stone. The theories are subdivided into two categories: social comparison theories and work stress models. The theory of social comparison suggests that individuals are driven to evaluate their opinions and capabilities using outside images (Festinger, 1954 cited in Wandera, 2011). The images can be human or physical reality observed in others as being realistic and achievable, and subsequently compared to self, images and other people.

Festinger's theory hypothesized that humans often feel the urge to probe their opinion and capabilities against those of others for self-appraisal. He also suggested that self-evaluation against other people’s specifics declines as opinion or capability becomes more differentiated. Further, there is an urge to ascend to greater capability, but there are certain constraints that hinder the possibility of change especially in capability. Like individuals generate more accurate evaluations of opinions and capabilities.

The assumption on work stress is that it attempts to clarify the results of short-term contract by underlining certain qualities that make short-term staff more inclined to endure work
related strain (Landsbergis et al., 2014). There are three significant factors. First, short term employees are secondary to the business promotion or advanced training. This argument is progressed by theories such as the Flexible Firm concept by Atkinson (Tan, Denton, Rae, & Chung, 2013) and the Dual Labor Market model. Subsequently, the adverse terms of employment for short-term employees working conditions can cause a reduction in their level of productivity (Wilkin, 2013).

As a result, short term contract employees can choose to work away from the workplace or within the workplace environment (Landsbergis et al., 2014). Furthermore, since short term contract employees are new individuals from the association, they need to acclimatize strategies and parts of the association, turning into another potential source of stress (Miller & Rice, 2013). The absence of support provided by colleagues and the management at the workplace can likewise influence the onset of stress and adverse health. The third factor is associated with the lack of control that short term workers may encounter in regard to the requirements of the business (or bosses).

RESEARCH METHODOLOGY
Research Design
Quantitative research and cross-sectional survey design were used. This choice was informed by the need to utilize nonparametric statistical approaches to test for variations within the population. Quantitative research applies statistical analysis to quantify data (Malhotra, 2010).

Sampling Procedure and Sample Size
Data for this study was collected from commercial banks employees working in Lagos. Currently, there are 21 commercial banks in Nigeria (CBN, 2018) that have employed more than 77,600 (N) employees (Gbadeyanka, 2017). However, this study sampled 600 (n) participants from the target population. Convenience sampling procedure was utilized. Convenience sampling technique was employed because of its reliability in data collection from the sample of a population that is ready to participate when needed (Trueb, 2014).

Besides, convenience sampling was used because obtaining the number of long-term and short-term employees was nearly impossible as information from the various commercial banks was not forth-coming even after multiple requests. However, data collection was randomized to obtain sufficient responses from the employees working at different banks for performance of statistical tests. The sample based on the terms of employment was well distributed and included 255 long-term employees and 239 short-term contract employees.
Cross-tabulation was used and employees were required to have been in their current position for more than four years.

**Data Collection Instruments**

Materials used in the survey were designed as structured questionnaires with generic questions with multiple-choice options for speed of data collection. The questionnaires enabled the researcher to survey the large population sample with minimal effort and expense (Alegre, Mas-Machuca, & Berbegal-Mirabent, 2016). The questionnaire that was relatively easy to complete by self was divided into three segments. The first segment collected data about the participants’ demographics; the second segment collected data on the type of employment contract; and lastly on job satisfaction. The job satisfaction survey instrument (JSS) as used in measuring the level of job satisfaction among the respondents. Alegre et al. (2016) developed JSS or the purpose of evaluating the attitudes of employees regarding their jobs using a Likert-scale rating format. But because the primary goal was to assess the global employee behavior (all other factors held constant), the JSS version that was used had a rating scale with five choices ranging from 1) strongly agree, 2) agree, 3) neither agree nor disagree, 4) disagree, and 5) strongly disagree.

**Test for Validity and Reliability**

The Cronbach alpha value for job satisfaction (0.887) in table 1 shows the reliability value. The value is great because it is beyond the standard value of 0.70 (Afthanorhan, 2013). To guarantee the face validity of the scale of job satisfaction, a pilot study was conducted involving sixty bank employees to review the clarity, relevance and interpretation of the questionnaire. Inputs from these contributors were used by the researcher to correct deficiencies accordingly. During the pilot testing stages, validity of the scale was evaluated and amendments were made to the questionnaire to be relevant to professionals in the banking sector. Validity was determined by computing reliability. Spearman’s correlation coefficient was used to determine the discriminant validity. The contract type and level of satisfaction showed strong negative correlation, illustrating discrimination between the short-term and long-term contract employees.

**FINDINGS**

**Respondents Demographics**

The sample population was fairly distributed in terms of gender (males 49% and females 51%). Most respondents were between the ages of 30-39 years (36%) followed closely by 40-49 years
Most of the respondents were in low level management (33.4%), and those who worked in middle management positions (33.4%). In terms of education levels many of the bankers still have a degree (37.2%) followed by those with diploma (33.4%). Those with a master’s degree are relatively fewer (6.7%). Nonetheless, a large population of the bankers was employed on long-term basis (51.6%) and a fairly big population was also working under short-term contract (48.4%).

**Correlations**

Correlation was performed to determine how the type of contract relates to the level of employee satisfaction. The output of the test is presented in Table 1.

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Contract type</th>
<th>Job satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract type</td>
<td>1.000</td>
<td>-0.284**</td>
</tr>
<tr>
<td>Job satisfaction</td>
<td>-0.284**</td>
<td>1.000</td>
</tr>
<tr>
<td>Mean</td>
<td>1.67</td>
<td>3.90</td>
</tr>
<tr>
<td>SD</td>
<td>0.766</td>
<td>0.70</td>
</tr>
<tr>
<td>Cronbach alpha</td>
<td>-</td>
<td>0.887</td>
</tr>
</tbody>
</table>

Generally, there is a negative correlation (-0.284) between the employee’s type of contract and level of job satisfaction.

**Independent Sample Test**

The test was performed to determine whether a significant difference exists between the banker’s type of contract and their level of satisfaction (See table 2). The nonparametric Kruskal-Wallis test was performed to determine the variance contract type and the level of job satisfaction (see table 3).

<table>
<thead>
<tr>
<th>Contract type and job satisfaction</th>
<th>N</th>
<th>Mean Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term contract and job satisfaction</td>
<td>245.0</td>
<td>296.6</td>
</tr>
<tr>
<td>Fixed contract and job satisfaction</td>
<td>144.0</td>
<td>196.8</td>
</tr>
<tr>
<td>Temporary contract and job satisfaction</td>
<td>105.0</td>
<td>179.1</td>
</tr>
</tbody>
</table>
Table 3: Chi-Square Analysis

<table>
<thead>
<tr>
<th>Test</th>
<th>Job satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square</td>
<td>84.658</td>
</tr>
<tr>
<td>Df</td>
<td>2</td>
</tr>
<tr>
<td>Asymp. Sig</td>
<td>0.000</td>
</tr>
</tbody>
</table>

The analysis results of Kruskal-Wallis analysis indicate a significant difference between contract type of the banker and their level of job satisfaction. In table 2, mean rank of long-term contract (296.6) seems to have a higher level of employee satisfaction as opposed to short term contracts (196.8 and 179.1). Bankers employed on short-term contracts experience lower levels of satisfaction. The results are rational because bankers with short-term contracts are not entitled to various benefits that accompany their positions of work; for instance, group life insurance, and pension fund, among others (Jawando & Adenugba, 2014). The employers seem to place insignificant interest on human needs of short-term employees and seem to be treating them only as labor, a factor of production. Therefore, the sense of mutual commitment and partnership between the short-term contract employee and the employer is lacking (Srivastava, 2013). Such employees are bound to experience lower levels of job satisfaction due to lack of deserving consideration from the employer such as equity and fairness (Callea, Urbini, Ingusci, & Chirumbolo, 2016). On the contrary, the favorable working conditions of long-term contract employees can lead to increased levels employee satisfaction because employers will often consider long-term employees for promotions, wage increments, training and promotion (Pavlopolous, 2013).

DISCUSSION OF FINDINGS
The research found that short-term employment resulted in low job satisfaction and to a great extent negative staff behavior such as unscheduled turnover and low productivity. These findings are in line with Wandera (2011) findings indicating that firms that extensively use short-term contracts also experience higher rates of unscheduled staff turnover. Moreover, short-term employees also experience low morale which influences the development of negative attitudes about their job security and how to best perform their duties. Landsbergis et al. (2014) also found that short-term contract affect morale in organizations because short-term and permanent employees may be working together but getting different treatments in terms of compensation and entitlements.

Short-term contract employees exhibited lower consistent commitment to the organization than long-term employees. This finding agrees to reports by Cabrales et al. (2014)
that short-term contracts increase feelings of divided loyalty which reduces employee productivity at the workplace. A lot of time and resources are also used to replace and train employees because of the high turnover rate associated with short-term contracts.

The study also found that the banking industry employs temporary workers because they need to reduce the cost of doing business as a result of the challenging economic environment in the country. As employers turn to short-term contracts millions of youth joining the job market work under poor conditions and this has the potential to hinder social progress that should come with employment. Short-term employment in Nigeria’s banking sector grew by over 100 percent in the last one year and it is projected that the banking industry will have 50% short-term employees and 50% long-term employees by the end of 2019 (Idowu, 2018). This statistics reflect the increasing trend of organizations preferring temporary employees over permanent workers.

CONCLUSION
This research study focused on the evaluation of the influence and impact of contract type on behavior of bank employees in Nigeria. The assessment considered how bank employees cope with the associated differences in treatment at the workplace, the development opportunities and economic benefits presented by the different contract arrangements. Findings show that long-term contracts are associated with significant positive impact on behaviors of bank employees. In contrast, short-term contract has a significant negative impact on employee behaviours. The difference in impact is rationally attributed to the entitlements received by long-term employees which are more than those of short-term contract workers despite them handing similar duties.

The likely negative outcomes influenced by unequal treatment due to type of employment contract results from lower job satisfaction levels. Certainly, these findings provide insight into some of the most important considerations of equity that would complement the arguments about efficiency and flexible labor markets advocated for by those in favor of short-term contracts as a means for reducing cost and increasing profits. Salient changes to the 1990 Labor Act in matters relating to contract employment could change the current state of affairs by introducing further protections to non-standard contracts.

LIMITATIONS
This study focused on the Nigerian banking sector which is unique to Nigeria’s economy. Moreover, only three of the twenty-one commercial banks granted the researcher the permission to perform the research. Although the sample size of the study (n=600) was
relatively high, it may not represent all the bankers in Nigeria’s banking industry. There are possibilities that the results might have been different if all the commercial banks had participated. Therefore, the nature of the current study does not allow for the absolute generalization of the findings within Nigeria’s banking industry.

REFERENCES


