

## Determining Job satisfaction of Non-Permanent Employees: A Case Study of Sub-Contractual Organization, Pakistan

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### **Abstract**

*The purpose of this paper was to determine the level of job satisfaction among the non permanent employees. What is their job satisfaction with respect to job security, work autonomy and compensation? Most of the companies in Pakistan are inclining towards the non-permanent employees as they are only paid the lump sum monthly salary and no other benefits are offered to them until they reach a certain level of expertise and become valuable for the company. Non-permanent are a sort of employees who work for the parent company but are not directly the employees of the parent company. So generally these employees are not really satisfied with their jobs. The sample size for the research study was 175 employees. Job Security, Work Motivation and Compensation have been found to have significant effect on job satisfaction of non-permanent employees.*

**Key Word:** Job Satisfaction, Non-permanent, Compensation, Job Security, Work Motivation.

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### **Introduction**

The current relationship between the different components of job security, work autonomy, compensation and job satisfaction is not usually called into question (Igalenz & Rousele. 1999). However, the nature and the measurement of this relationship give rise to several differences of opinion. In France, these differences have mainly been between human resource management researchers and practitioners as the latter have generally established their company compensation policy that fixed pay can increase work motivation and job satisfaction for exempt employees and only job satisfaction for nonexempt employees. This positive relationship occurs for motivation when fixed pay evolves with the level of an individual's performance, whereas for satisfaction it depends on the recognition of internal and external equity. In the first case merit (effort and performance) is recognized, and in the exempt and nonexempt employees who express a feeling of satisfaction towards benefits are no more likely to be satisfied in their job.

As for the motivational process, employees who consider this form of compensation as inciting tend to be less motivated with regard to their work. And inversely, the fewer employees find benefits inciting, the

more they are motivated in their work. Pay rises represent the most sensitive aspect of pay administration, since pay rise satisfaction is positively and significantly related to job satisfaction; this is the case for exempt employee second case, all the contributions to the company (performance, skill, seniority, training, etc.).

When this type of compensation is judged as being fair, in relation to both internal and external equity, it can increase the feeling of job satisfaction for nonexempt as well as exempt employees. Internal equity reveals that employees are more satisfied when they perceive their fixed pay as fair in relation to their contributions to their firm, compared to other employees in the organization that are used as a reference. Their contributions correspond to a mix of performance, effort, qualifications, training, skill, seniority and experience, and it is these criteria which employees use to fix their own idea of a fair pay level. As for external equity, the more employees feel that they are treated fairly, compared to other employees outside their organization, the more they are satisfied with regard to their job.

Non permanent employees are used to be a result of subcontracting which is a type of work contract that seeks to outsource certain types of work to other companies. This is a step below from general contracting, which is a contract overseeing a much broader project in many cases. Since non permanent employees are because of subcontracting which is carried out when the general contractor does not have the time or skills to perform certain tasks. Subcontract could be defined as ordering work from an outside company or having work done by an outside company. And subcontractor is an individual partnership, corporation, or association, which contracts with a contractor to design, develop and manufacture items. In other words we can say that subcontractor is an organization or individual who delivers a component of the emergency response service for the provider agency for a fee and is not an employee or volunteer of the provider agency.

The main aim of this paper was to determine job satisfaction among the non permanent employees of companies based in Islamabad involved in subcontracting from the perspective of Pakistan. It was supposed that the compensation policy of an organization is efficient if satisfaction with regard to any of the compensation components increases job satisfaction and if motivation encouraged by any of the compensation components actually results in higher work motivation. In this study the dependent variable was job satisfaction while independent variables were job security, work motivation and compensation.

### **Significance of the study**

Since in Pakistan the non-permanent employees have taken a boom and most of the companies are continuously outsourcing their services to agency. This type of non permanent employee is not directly under the parent company but works for the parent company and is paid by his/her contractor. Since the companies (contractor) only pay a fixed amount of money in shape of pay. In Pakistan it is relatively new concept so that is the reason of conducting a research on this topic. Since, this side of the picture has not been touched in Pakistan as we couldn't find any literature with respect to Pakistan.

### **Objective of the study**

Primarily pay has been considered as the major factor for job satisfaction however other related factors like job security, work motivation and the importance/challenge of the job are also taken into account. A familiar expression implied in the corporate world is that satisfied employees increase customer satisfaction and loyalty. Customer retention is highly dependent on how employees deal with customers. Satisfied employees are more likely to be friendly, upbeat, and responsive which the customers appreciate. Dissatisfied employees can also lead to the increase customer dissatisfaction. There is a supposition that the less satisfied workers have a tendency to leave the organization while the satisfied employees remain and grow in the job.

Following are the main objectives that the research has focused on.

- To find out the effect of job security on job satisfaction of non-permanent employees.
- To investigate the effect of work motivation on job satisfaction of non-permanent employees
- To study the effect of compensation on job satisfaction of non-permanent employees

## **Literature Review**

Employees in public sector are more secure and satisfied as compared to private sector; Long job tenure is the determinant of Job security and Job Satisfaction. The employees with high age have low perceived of job loss as and Job Satisfaction is high compared to low age employees, there is a positive link of Education with Job Security as it leads to Job Satisfaction (Theodossioua & Vasileiuc, 2007). The consequences of this paper have suggested that job security and job satisfaction are highly correlated, Age, Education, Nature of firms affect Job Satisfaction and Security in positive way, Employees having high job Satisfaction are productive employees.

The study of Jain, Jabeen, Mishra and Gupta, (2007) reflects that, there is no significant difference between managers and engineers in terms of their job satisfaction. It seems that both groups (Engineers and managers) appeared to be satisfied. Engineers and Managers were found significantly different on organizational climate, i.e. managers scored high on organizational climate as compared to engineers. As per the data analysis engineers were found to have more occupational stress as compared to managers. High income group managers differed considerably as compared to low income group managers whereas high income group engineers and low income group engineers were not significantly different. High age group managers and high age group engineers were found equally satisfied and same were the results with low age group managers and engineers. Managers with high score on occupational stress were less satisfied as compared to the managers with low score. There was no considerable difference among high and low organizational climate of managers while high organizational climate group of engineers were more satisfied as compared to low organizational climate of engineers.

The changes in organizational variables, i.e. pay scales, employee input in policy development, and work environment could be made to increase organizational commitment which in turn will lead to employee commitment and satisfaction (Hnif & Kamal, 2009). Job satisfaction of bank officers is significantly dependent upon pay, promotion opportunities, rewards, relation with boss and coworkers. It is evident that the dependent variable satisfaction with pay has the expected positive effect on job satisfaction. Workers dissatisfied with their bosses are more sensitive to their pay.

The research of Ali (2005) has found that the management of Colleges must focus on four facets of Job Satisfaction i.e. pay, promotion, contingent rewards and fringe benefits to increase the satisfaction level of College lecturers and bring down turnover intention. Presently lecturers have high level of turnover intention (4.051) means that likely to leave the organization

Karimi (2006) has identified that Work Itself was most motivating factor while working condition was least motivating factor for faculty. The faculty was more satisfied with content of the job and least satisfied with context of job. All of the job motivator and hygiene characteristics were moderately or substantially related to overall job satisfaction.

The study of Dickson and Lorenz (2009) have concluded that organizational tenure of a temporary or part time nonstandard worker is positively associated with Job Satisfaction. In addition to this, two of the four cognitions of psychological empowerment (meaning and impact) are positively associated with job satisfaction. The results have implications for the managers of nonstandard workers and proper training to be provided to supervisors so that they can maximize the level of psychological empowerment and job satisfaction of employees with this increasingly common type of organizational relationship, since

improving the productivity and retention of these workers may have a significant impact on the performance of a supervisor's workgroup and even the organization as a whole.

The study of Tutuncu and Kozak, (2007) have concluded that there is a positive relationship among all the factor attributes whereas the level of overall job satisfaction was the strongest predictor of the intention to continue working in the hotel business, followed by supervision, payment and co-workers. Promotion and work-itself were found to be insignificant. The measurement of job satisfaction is important in tourism and hospitality because this industry requires interaction between the contact personnel and the individual customer and due to the fact that quality perceptions are evaluated mostly by the performance of subjective (intangible) criteria. Thus, the extent to which employees are satisfied with what they are doing and what they obtain in return could directly influence the level of customer satisfaction with their services.

Avci, Karatepe and Canozar, (2003) have identified that physical evidence has no effect on job satisfaction. Path analysis results express that pay and supervision have significant positive effects on job satisfaction. It appears that the weight of the effects of both pay and supervision on job satisfaction remain approximately the same.

The study of Rahman, Saha and Gurung (2006) reveal that there is no significant association between Gender of the respondent's and Satisfaction with overall job security of the bank employees, ( $\chi^2 = 3.49$  with 4 degrees of freedom ( $P = 0.479 > 0.05$ )). It means the sex of the bank employees seems to be an insignificant factor for job satisfaction. There were some weak negative relations between the variables (Pearson's  $R = -0.075$ , Spearman's correlation =  $-0.064$ ). Thus the evidence of association is not strong. The overall satisfaction of bank employees in Dhaka City is associated with different factors of job satisfaction. Among those, payment, healthy relationship with colleagues, sense of personal accomplishment, adequate information available to do job, ability to implement new ideas are the most important ones for improving the level of job satisfaction of bank employees in Dhaka City.

Graaf-Zijl (2008) has explored the relationship between contingent work arrangements and job satisfaction. In order to better understand the relationship between contingent work arrangements and job satisfaction, the analysis has been carried out on satisfaction with a number of job aspects in four employment arrangements: regular, fixed-term, on-call and temporary agency work. The job aspects has been determined with which contingent workers are less satisfied and allowed for differences between work arrangements in the importance of these job aspects for overall job satisfaction. Data were used from the Dutch Socio-Economic Panel for the years 1995-2001. Based on simple cross tabulations it has been found that workers employed on contingent work arrangements experience less job satisfaction compared to regular factors are improved or addressed positively, there will be positive overall satisfaction on bank employees. All three contingent work arrangements are associated with lower satisfaction with job security and wages.

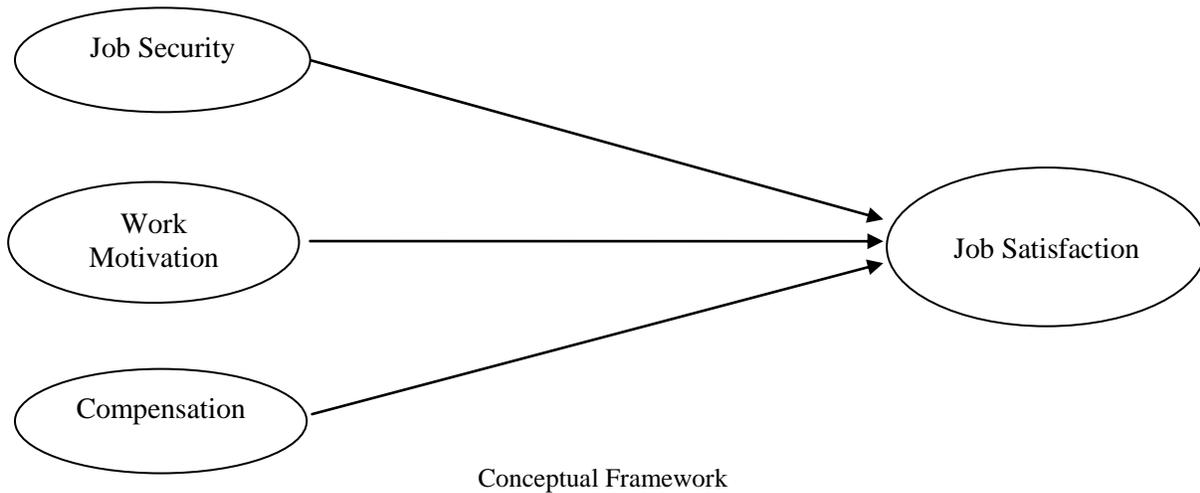
The research work of Kumar (2002) revealed that social and physical-economic factors effect the job satisfaction among the permanent and contractual IT workers. Bhandari and Heshmati (2006) have found in their study that a substantial wage gap exists between permanent and contract workers where contract worker earn 45.5% less than their counterpart. Standard regression based decomposition to investigate the earning difference between permanent and contract workers. This research work through this paper provided a valuable insight on the wage difference and the issues of job insecurity and predicting the factors affecting a worker's feeling of job insecurity.

## **Hypothesis**

**H<sub>1</sub>**: Job security has significant effect on job satisfaction of non-permanent employees.

**H<sub>1</sub>**: Work motivation has significant effect on job satisfaction of non-permanent employees.

**H<sub>1</sub>**: Compensation has significant effect on job satisfaction of non-permanent employees.



**Research Methodology**

In this research questionnaire has been used as a method for the research study. Questions were taken from a standard questionnaire and were molded as per the requirement of the research. All employees of Al-Human Resource International Solution were the population of the study, the sample size of the study consisted of 175 employees. Instrument has been developed for the study as the instrument consisted of three sections. Section A comprised of demographic information, section B comprised of antecedents of job satisfaction which included three antecedents and section C comprised of dependent variable (job satisfaction).

**Results**

Following are the results from the analysis. The data has been analyzed by finding the mean values of each variable used in the study. So the results are also based on mean values.

**Table 1: Reliability Statistics**

S.No		Cronbach's Alpha	N of Items
1	Job Security	.788	4
2	Work Motivation	.804	5
3	Compensation	.756	4
4	Job Satisfaction	.784	4

In table 1 above the cronbach’s alpha has been calculated. It is used for the checking reliability of the variables. The threshold value of Cronbach’s Alpha is 0.7 since the calculated values of Cronbach’s alpha for Job Security, Work Motivation, Compensation and Job Satisfaction respectively are .788, .804, .756 and .784. Since all the values are greater than the threshold value so the measures used for the study were highly reliable.

The below table 2 of correlation reflects that the correlation value of Job satisfaction with job security is 0.535 (p=.000) means that they are positively correlated, the correlation value of Job satisfaction with work motivation is 0.351 (p=.001) means that the value is positively correlated but not very strong, while the correlation value of Job satisfaction with compensation is 0.652 (p=.000) means that there is strong positive correlation of compensation with job satisfaction.

Table 2: Correlation Statistics

	<i>Job Security</i>	<i>Work Motivation</i>	<i>Compensation</i>	<i>Job Satisfaction</i>
Job Security	1			
Work Motivation	0.535	1		
Compensation	0.428	0.427	1	
Job Satisfaction	0.541	0.351	0.652	1

## Regression Statistics

Table 3: Job Security with Job Satisfaction

<i>Modal Summary</i>	
R	0.562
R Square	0.267
Adjusted R Square	0.255
Standard Error	0.614

The above table 3 reflects that the value of R Square is 0.267 means that 26.7% of variance in job satisfaction has been explained because of variation in job security.

Table 4: Coefficients

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	1.008	0.282	3.867	0.000
Job Security	0.676	0.127	5.432	0.000

From the above table 4 it is evident that  $\beta$  value is 0.676 shows that one unit increase in job security causes 0.676% increase in job satisfaction. The calculated value of t statistics 5.432 reflects that the value is greater than the benchmark value i.e. 1.96 at 0.05 so it shows that job security significantly effects the job satisfaction of non-permanent employees.

Table 5: Work Motivation with Job Satisfaction

<i>Model Summary</i>	
R	0.382
R Square	0.249
Adjusted R Square	0.237
Standard Error	0.653

The above table 5 of model summary shows that the value of R square is 0.249 which means that 24.9% of variance in job satisfaction has been explained due to variance in work motivation.

Table 6: Coefficients

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	1.20	0.34	3.51	0.000
Work Motivation	0.62	0.17	3.68	0.000

From the above table 6 the  $\beta$  value is 0.62 representing that one unit increase in work motivation causes 0.62% increase in job satisfaction. The calculated value of t statistics is 3.68 ( $p=0.000$ ) reflects that the

value is greater than the benchmark value i.e. 1.96 at 0.05 so it shows that work motivation significantly effects the job satisfaction of non-permanent employees.

Table 7: Compensation with Job Satisfaction

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	0.771	0.253	3.030	0.003
Compensation	0.535	0.079	6.548	0.000

Table 8: Coefficients

<i>Model Summary</i>	
Multiple R	0.642
R Square	0.491
Adjusted R Square	0.387
Standard Error	0.566

The above table 7 of model summary reveals that the value of R square is 0.491 which means that 49.1% variance in job satisfaction has been explained due to variance in compensation.

From the above table 8 the  $\beta$  value is 0.535 representing that one unit increase in compensation causes 0.535% increase in job satisfaction. The calculated value of t statistics is 6.548 ( $p=0.000$ ) reflects that the value is greater than the benchmark value i.e. 1.96 at 0.05 so it shows that compensation significantly effects the job satisfaction of non-permanent employees.

## Conclusion

From the findings of the research study it is very much evident that job satisfaction is an important area of concern among the non permanent employees. The conclusion has been drawn based on the evidences that job security affects the job satisfaction of non permanent employees which results in rejection of null hypothesis. This reflects that if the employees of the organization feel secure only then they will be satisfied with the job. The second conclusion that has been drawn that work motivation also affects the job satisfaction which result in acceptance of alternate hypothesis. This also reflects that the employees must be given work motivation through interesting tasks so that they do their job well and employees feel satisfied. The third conclusion that is reflected from the research is that compensation affects the job satisfaction of employees; means that null hypothesis stands rejected on the basis of evidence.

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