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**TEMPORARY AGENCY WORK AND PERCEIVED FAIRNESS
– HRM CHALLENGES IN TRIANGULAR EMPLOYMENT
RELATIONSHIPS**

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TEMPORARY AGENCY WORK AND PERCEIVED FAIRNESS – HRM CHALLENGES IN TRI-ANGULAR EMPLOYMENT RELATIONSHIPS

Lars Mitlacher^a

1. INTRODUCTION - TEMPORARY AGENCY WORK AND PERCEIVED FAIRNESS – HRM CHALLENGES IN TRIANGULAR EMPLOYMENT RELATIONSHIPS

The performance of a company mainly depends on the commitment of its employees and can be conceptualized as a function of individual performances (Becker & Huselid 1992). Factors such as overall job satisfaction, affective commitment and perception of fairness produce a positive work experience and are more likely to lead to higher outcomes from employees (Agho et. al. 1993). Thus the careful handling of fairness issues within an organisation can lead to higher organisational output. Therefore the HR function plays a crucial role in organisations' efforts to deal with the management of fairness. This is not only true for traditional employment arrangements but becomes increasingly important for atypical employment arrangements, especially for multi-party relationships. As organisational boundaries are increasingly getting blurred, the issue of fairness becomes more complex as more parties are involved.

Temporary agency work is one example of multi-party arrangements. The use of temporary agency workers is more and more becoming a permanent feature in companies. For example in Germany the number of temporary workers increased from 134,443 in 1994 to 443,949 in 2005 (Bundesagentur für Arbeit 2007), though temporary agency work remains at a modest scale and accounts for no more than

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1.4 per cent of total employment (Jahn 2005). In other European countries such as Belgium or the Netherlands temporary agency work accounts for as much as 2.2 per cent and 2.5 per cent of the total workforce respectively (Arrowsmith 2006). The US and Australia have experienced similar developments (Burgess, Connell and Rasmusson 2005). For example in the US, temporary agency work has been growing in the last decade (Houseman 2001; Autor 2001), accounting now for 2.6 per cent of total employment according to establishment data collected by the Bureau of Labor Statistics (Houseman et al 2003). The growing number of temporary workers assigned to client companies shows that the employment agencies are not the only party being responsible for managing the temporary workforce but that the HR departments of client companies have to shoulder some of the burden. With regard to the management of fairness both parties' – temporary work agencies and client companies – HRM must be involved to foster the perception of fair treatment of temporary agency workers, leading to diverse challenges for the design of specific HR instruments.

Thus the aim of the paper is to analyze what HRM challenges arise for temporary work agencies and client companies with regard to the management of fairness perceptions of temporary agency workers. As most research on fairness in organisations has been conducted under the label of organisational justice (Weaver & Trevino 2001), this string of research will serve as a basis for developing a conceptual framework to explore the different HR challenges of managing fairness in triangular relationships. Organisational justice research differentiates between two dimensions of fairness which will be included in the analysis: the fairness of organisational outcomes (distributive justice) (Bierhoff, Cohen & Greenby 1986) – which is primarily based on Adams (1965) equity theory – and the fairness of procedures that are used to distribute valued outcomes (procedural justice) (Folger & Greenby 1985). Additionally aspects of psychological contract theory will be used to develop a conceptual framework that serves as a basis for exploring the fairness perception of agency workers in triangular employment relationships and the resulting HRM challenges.

Based on the conceptual framework, theoretical insights and existing empirical studies, propositions will be developed with regards to the perception of fairness and

resulting HRM challenges. Special attention will be paid to the different HRM instruments in client companies and temporary work agencies and their influence on the fairness perception of temporary agency workers. Finally, issues for further research will be discussed.

2. PATTERNS OF TEMPORARY AGENCY WORK

In today's global business environment, the employment relationship is undergoing many changes. Employment relationships can be defined as exchange relationships (Rousseau and Parks, 1993). One conceptual background for the employment relationships is exchange theory. Although exchange theories vary in terms of their focus, all have in common that they expect individuals to assess the desirability of interaction with others on the interpersonal value of these interactions (Pearce and Peters, 1985). While in former times, employees could rely on being employed by their company until retirement if they perform their job well, this security has been vanished. In the globalised business world, companies that are lean, fast and flexible are said to best cope with increased competition (Miles, 1989). To meet these new flexibility demands and increase companies' performances, various forms of employment relationships have developed (Arthur, 1992; Atchison, 1991). In this context temporary agency work can be regarded as such a new form of the employment relationship. For instance, in Germany, temporary agency work has been rising significantly in the last decade. Since 1994 the number of temporary workers has increased by 330 %. In 1994 134.443 persons were employed by a temporary work agency (Bundesagentur für Arbeit 2007). In 2005, this number has increased to 443.949 persons (Bundesagentur für Arbeit 2007), although the overall proportion of agency workers as a share of total employment is still low remaining at just 1.4% of all workers employed (Jahn, 2005). The following chart shows the development in the last decade.

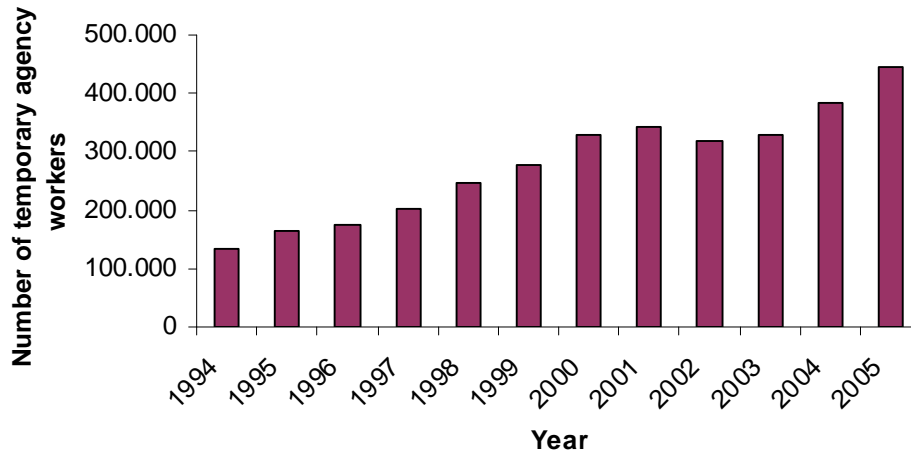


Figure 1: Number of agency workers (Source: Bundesagentur für Arbeit 2007)

In other countries the share of agency workers is higher than in Germany. For example in the United States temporary agency workers now account for 2.6% of the total labour force (Houseman et al 2003). In Singapore the number of temporary workers has increased to 3.3% in the labour force (Koh and Keow Yer, 2000). In Australia around 3% to 4% of workers can be classified as temporary agency workers (Burgess, Connell and Rasmusson, 2005). The numbers indicate that the temporary work industry has been growing in liberal market economies such as the US and Australia as well as in countries with relatively strict labour market regulation like Germany. However, it has to be noted that the statistical data available concerning temporary agency work is not always accurate (Mitlacher 2006). In many OECD countries temporary agency work is not included in official statistics or different definitions and concepts of agency work are applied (Alewell et al 2005). This makes it difficult to analyse the temporary work industry in different countries. When taking a look at the characteristics of temporary agency workers, it is striking that in most countries temporary agency work is still dominated by men. With regard to Europe one exception are the Scandinavian countries (Storrie, 2002). In other OECD countries the distribution is more even, for example in Australia (Connell & Burgess 2001).

| | Female | Male |
|--------------------|--------|------|
| Austria | 17% | 83% |
| Belgium | 42% | 58% |
| Germany | 24% | 76% |
| Spain | 44% | 56% |
| France | 28% | 72% |
| Luxemburg | 22% | 78% |
| Netherlands | 44% | 56% |
| Norway | 50% | 50% |
| Sweden | 60% | 40% |
| UK | 48% | 52% |

Table 1: Male and female distribution of agency workers (Source: Arrowsmith, 2006)

The gender distribution is partly reflected in the sectoral use of temporary agency workers (Mitlacher, 2006). For example in Germany, temporary agency workers are mainly used in the industrial sector where low-skill tasks dominate (Mitlacher, 2005). On the other hand, in Sweden, temporary agency work is mainly used in the service sector with 74% of all temporary agency workers employed in this industry (Arrowsmith, 2006), reflecting the higher proportion of females. Concerning the skill level of temporary agency workers, in most countries temporary agency work is deployed in the low skill segments of the labour market. Taking a look at the occupations, 37,78% of German workers in the temporary work industry are classified as auxiliary workers, that are mainly unskilled. The proportion of temps being assigned as auxiliary workers has increased from 21,84% in 1994 to 33,78% in 2006 (Bundesagentur für Arbeit 2007). Compared to the overall economy, auxiliary workers are overrepresented in the temporary work industry accounting for only 1.5% of all (Jahn 2004). While almost 25 % of auxiliary workers in Germany are now employed in the temporary work industry, this share was only 4% in 1980 (Burda & Kvasnicka 2004). The growth of temporary agency work has thus been mainly in the low qualified segments of the German labour market. Nonetheless, there has been an increase in the number of skilled temporary agency workers in the German labour market in the last decade too. For instance, technicians are now more widespread in the temporary work industry. Their number increased from 5.368 at the end of 1995

to 18.844 at the end of 2005 (Bundesanstalt für Arbeit 2007). This indicates a movement into higher qualified segments of the labour market.

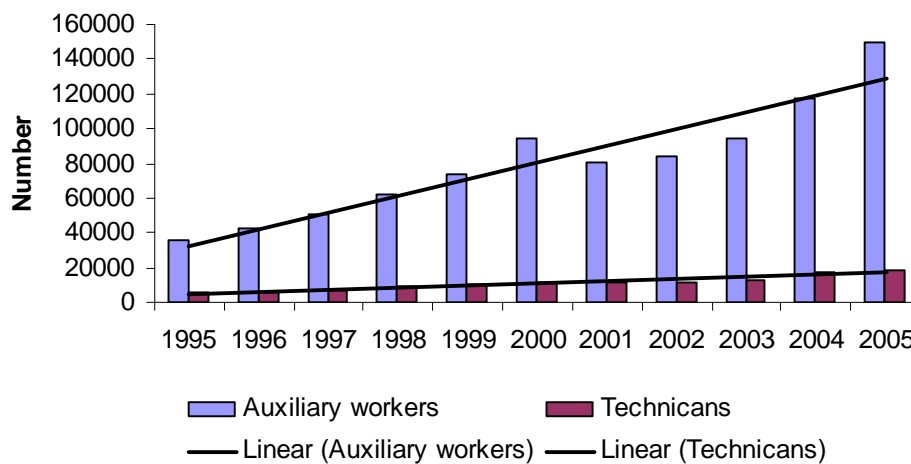


Figure 2: Auxiliary workers and technicians (Source: Bundesagentur für Arbeit 2007)

In other countries temporary agency workers are also mainly found in the low qualified segments of the labour market. For example, in Spain 64% are low-skilled workers (Arrowsmith, 2006). In Austria, 83% are blue-collar workers and in Belgium 63% are (Arrowsmith, 2006).

Another indicator for the growth of temporary agency work is the rising number of temporary work agencies. Multinational temporary work agencies (for instance Manpower, Kell Services or Randstad) are developing new business models by providing labour matching services for job seekers and job providers (Connell & Burgess 2001). Today, temporary work agencies put forward a broad range of services for clients including payroll administration or the recruitment of employees, intermediating between the purchasers and providers of labour. Additionally their services can be used to blur regulatory responsibilities and reduce labour costs (Peck & Theodore 2001). This development is partly reflected by the growing number of temporary work agencies. Fore example, in Germany the total number of temporary work agencies has risen from 3.289 in 1995 to 8.427 in 2006.

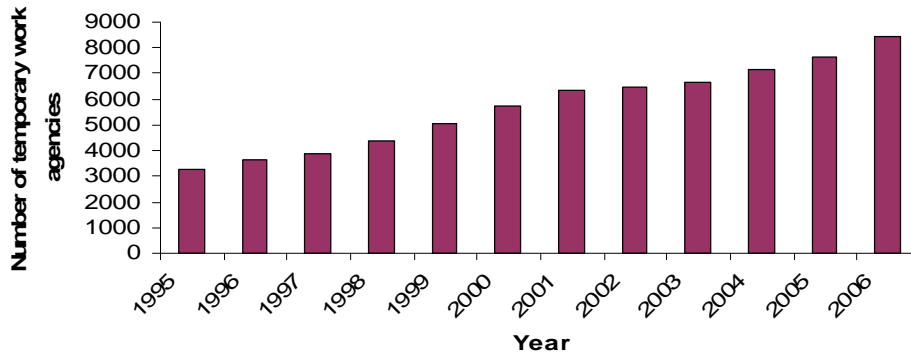


Figure 3: Temporary work agencies (Source: Bundesagentur für Arbeit)

Growing numbers of temporary agency workers have led to the consensus among Human Resource Managers that not only client companies are responsible for developing the temporary workforce but that it is the responsibility of both parties involved to fairly treat temporary workers and offer attractive working conditions (Albrecht 1998). The increased deployment of agency temps has sparked off the interest in studying how client companies as well as temporary work agencies can better manage this part of the workforce (Purcell and Purcell 1998). Temporary work agencies are no longer simply regarded as labour market intermediaries but as new actors in the labour market, hiring, finding work for and upgrading the skills of employees who are their primary assets (Kosters 1997). Fair treatment and offering a wide range of HR instruments for temporary agency workers is one of the aspects needed to shoulder part of this developmental responsibility.

3. THEORETICAL INSIGHTS AND ANALYTICAL FRAMEWORK

The performance of a company mainly depends on the motivation and commitment of its employees. Organisational performance can be conceptualized as a function of individual performance (Becker and Huselid, 1992). Individual and organisational performance are influenced by several factors. For example higher levels of commitment to the organisation, greater job satisfaction and the application of HR instruments that produce a positive work experience are more likely to result in positive outcomes from employees (Mathieu and Zajac, 1990; Agho et al., 1993, Huselid, 1995; Finkelstein and Hambrick, 1996) and are negatively related to

turnover rates (Tett and Meyer, 1993; Arnold and Feldman, 1982). As HR practices influence individual and firm performance, Human Resource Managers have been focusing on ways to improve employees' commitment and job satisfaction through different methods (Huang et al., 2004). One factor to influence commitment and job satisfaction in a positive way is fairness in applying HR practices like compensation, training or selection. Thus employees' perception of fairness in companies is important to achieve positive performance results. It is the HR function – in temporary work agencies as well as in client companies – that plays a key role in fostering fairness.

The interest of people in fairness is reinforced by the presence of a fairness heuristic at work and in persons' cognitions regarding their relationship with the organisation (Weaver and Trevino, 2001). In the case of temporary agency work this relationship is more complex as the temporary agency worker has relationships with two companies at the same time (Mitlacher, 2006b WP). Employees must make decisions to what extent they will constrain their own interests and goals in the light of the interests and welfare of the company to which they belong (Weaver and Trevino, 2001). Exhaustive consideration of all information is not possible, above all not in triangular relationships where temporary agency workers try to satisfy demands from two different companies at the same time. Therefore employees rely on judgmental heuristics to find out whether to entrust their identity to the organisation and align their behaviour and goals with the company (Weaver and Trevino, 2001). One of the central factors affecting this decision is the perceived fairness of the organisation. This fairness heuristic is powerful enough to affect peoples' behaviour towards their organisation (van den Bos, Lind and Wilke, 2001). Fairness suggests to people that their membership in the organisation is valued, their identity respected or – as moral theory puts it – that employees are being respected as ends in themselves and not only regarded as an instrument for achieving the ends set by others (Weaver and Trevino, 2001). What's more, fairness judgements, once being established, are altered only with great difficulty (Lind, 1995). Thus fairness judgements – for example concerning the applied HR instruments – are formed rather quickly, are hard to change and can be more powerful than economic concerns (van den Bos et al, 2001). So far the focus of research in this field has been on core employees, neglecting multi-party relationships and the influence of for

instance different HR instruments on temporary agency workers. With regard to fairness aspects less attention has been paid to develop a theoretical framework for temporary agency workers' perception of fairness of applied HR instruments by temporary work agencies and client companies. In order to develop such a framework, organisational justice theory can be used as a starting point (Greenberg 1990b). Fairness perceptions are then linked to a variety of attitudinal and behavioural outcomes.

Organisational justice theory differentiates between two main areas of justice. Traditionally, researchers have emphasized the role of distributive justice (Bierhoff et al, 1986). Distributive justice means the fairness of organisational outcomes distributions. The bulk of analysis into distributive justice is based on Adams' equity theory (Adams, 1965). This stream of research proposes that individuals will evaluate the distribution of outcomes applying some distributive rules (Cohen, 1987). One of these rules is equity, involving a comparison between one's inputs and obtained outputs relative to a referent comparison other (Adams, 1965). In this context equity can be defined as (Adams, 1965):

$$(O_C/I_C=O_P/I_P)$$

where O_c is the current outcome (e.g. of an agency worker), I_c the current input and O_p the past or reference output and I_p a past or referent input of another person (e.g. core employee). In order to evaluate the current outcome, a temporary agency worker examines his or her current inputs in relation with past outcomes or inputs (e.g. at another temporary work agency or past assignment) or in relation to the input and output ratio of a fellow worker (either at the temporary work agency or the client company). Formally expressed that is

$$O_C= I_C(O_P/I_P) = (I_C/I_P)O_P$$

Inequitable distribution evaluations are anticipated to produce negative emotions which lead people to change their behaviour, for example to reduce their effort when they have the impression of underpayment (Campbell and Pritchard, 1976; Greenberg, 1982).

Besides distributive justice, procedural justice theorists are concerned with the perceived fairness of procedures (Folger and Greenberg, 1985). Procedural justice can be analysed from different points of view. First, procedural justice can be approached from a legal perspective, emphasizing the influence of process control or workers' voice on the individual fairness perception (Thibaut and Walker, 1975). Basically, procedures are perceived to be fairer if affected employees have a chance to state their opinion or to influence the decision. Second, the structural components that influence an individual's cognitive conceptualisation of the decision process of a reward allocation are analysed (Leventhal, 1980). This line of research argues that decisions should be made consistently and without personal biases (Leventhal, 1980). Similar rules have been identified in other domains of fairness for example with regard to performance appraisals (Greenberg, 1986a). A third line of research addresses the question of decision makers' behaviour during the enactment of procedures which has been called interactional justice (Bies and Moag, 1986) or interpersonal justice (Greenberg, 1996; Mikula, Petrik and Tanzer, 1990). The argument here is that justice perceptions can result from the informal, social aspects of interaction in companies. For instance, although a formal decision is procedurally or distributively justified, the decision maker might communicate it in a disrespectful way (Weaver and Trevino, 2001). This emphasises that from a justice perspective, decisions must be explained. Employees expect that decisions affecting them will be accompanied by an explanation (Bies and Shapiro, 1988). As respect and concern constitute informal social goods, employees expect to receive them also when a decision is made and communicated, otherwise the decision is regarded as violating justice and fairness expectations. Studies have shown that the recognition of procedures in organisations is influenced by the kind of respect shown to employees (Tyler, 1989; Tedeschi and Nirman, 1985).

As argued above, the fairness perception is influenced by several factors. The application and design of HR instruments is one factor that has an impact on this perception. Thus each HR instrument applied either in a temporary work agency or in a client company will affect the fairness perception of temporary agency workers.

Concerning the relationship between procedural and distributive justice, research results are mixed. While some researchers have supported the view that procedural

and distributive justice perceptions are independent from each other (e.g. Alexander and Ruderman, 1987), others have found a correlation between these two dimensions (e.g. Fryxell and Gordon, 1989). However, theorists have argued that in some situations procedural justice might override some of the disappointment associated with unfair distributive outcomes (Folger and Konovsky, 1989; Konovsky and Cropanzano 1991), thus a model on the perceived fairness of HR instruments for temporary agency workers should also consider the relationship between procedural and distributive justice rules.

Additionally, psychological contract theory offers a basis for analysing the perceived fairness of HR instruments for temporary agency workers. Research on the link between Human Resource Management and performance implicitly assumes that all workers – including temporary agency workers – are identifying with the goals of the employing organisation (Pfeffer 1998; West et al 2002; Guest et al 2003). In the literature, the psychological contract has been defined as a set of unwritten rules of reciprocal expectations between an individual employee and the employing company (Schein, 1978). In this context, it is useful to recognize that the psychological contract, like the employment contract, involves two parties (Guest 2004). Psychological contracts reduce insecurities and anticipate future exchange (Dabos & Rousseau 2004). With regard to employment relationships, the psychological contract refers to the system of beliefs that an employee and the employer hold, concerning the terms of their exchange agreement (Rousseau 1995). Psychological contracts are formed by many factors, such as fairness or fair treatment, values or on-the job experiences (Rousseau 2001). Additionally, the psychological contract is influenced by the question, if the worker is employed on the contract of his choice (Guest 2004; McClean Parks 1998). So far, research based on psychological contract theory has concentrated primarily on contract violation and the associated consequences (Bunderson 2001; Robinson 1996; Robinson & Morrison 1995; Turnley & Feldman 2000). In the case of temporary agency work, however, the situation is more complex (Rubery et al., 2003) as multi-party relationships exist and the central question concerned is with what organization – client company or temporary work agency – this contract is forged (Guest 1998). This raises questions about the type of relationship that temporary agency workers have with their agency

and the client company, regarding aspects of perceived fairness and fair treatment, organizational commitment, identity and loyalty.

Building on these theoretical insights, the following framework for analysing the perceived fairness of HR instruments for temporary agency workers emerges.

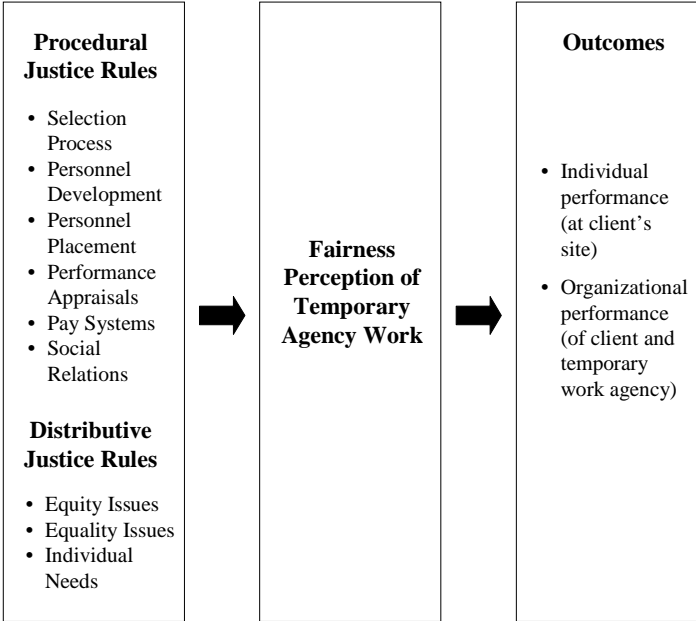


Figure 4: Analytical framework (Adopted and modified from Gilliland (1993))

In this framework, procedural justice is conceptualized as procedural justice rules. These rules will be discussed in detail below. Distributive justice rules are concerned with outcomes in terms of equity or equality and should also consider the needs of temporary agency work. Finally the framework considers the relationship between perceived fairness perceptions and outcomes. These outcomes can be modelled in terms of individual or organisational performance.

4. PROCEDURAL JUSTICE RULES

Procedural justice rules comprise different HR instruments that are applied to temporary agency workers as well as core employees of client firms. The usage of temporary work agencies as part of the selection process has become widespread, at least in the US (Mitlacher, 2006). With regard to the perceived fairness of the selection process for temporary agency workers two different scenarios have to be considered – the selection process by the agency to hire workers and the selection process for assigning agency workers to client companies. One of the central procedural influences on the fairness perceptions is the job relatedness of the used selection instruments (Gilliand, 1993). This means that the deployed selection instruments must be relevant to the job situation and fulfil different criteria. First the selection device used should be reliable, that means measuring at two different points of time should lead to the same results. The second criterion is validity. Speaking in terms of validity, content validity (i.e. test content related to job content) and criterion-related validity (i.e., test performance and job performance should be related) must be captured in the selection process (Smither and Pearlman, 1991). In the case of triangular employment relationships this task is more complex as the agency workers perform their service at the client's site. For the agency that means that they have to develop client specific selection instruments not only to fulfil the expectations of clients but also the fairness perception of potential workers. Inside the client company the focus of selection shifts from searching a suitable worker to acquiring an appropriate temporary work agency. This implies a change in the role of Human Resource managers. Human Resource managers must act as consultants, assisting temporary work agencies in developing client specific recruiting and selection instruments and thus supporting a fair design of selection devices. Thus, they need skills not only in project management, but also in managing third party relations and they should be confident with legal questions regarding temporary agency work. These results lead to the first proposition.

Proposition 1: Selection devices used by temporary work agencies and their job relatedness will influence the perception of fairness of the selection instrument by agency workers.

The second selection decision deals with the question to which client company the agency worker is assigned. Again, this decision should be based on valid information concerning the skills of the agency worker and the relatedness of these skills to the job at the client company. As several studies show, with regard to fairness, decisions should be based on as much accurate information as possible (Sheppard and Lewicki, 1987; Schuler, 1993). Additionally, the agency should communicate the information on which the decision is based in order to increase the perceived fairness of this procedure. Studies show that the provision of justification for a decision is positively related to the perception of fairness of selection processes (Bies and Shapiro, 1988; Tyler and Bies, 1990).

Proposition 2: The selection information given by the temporary work agency concerning the assignment will influence the perception of fairness in a positive way.

The second HR instrument covered by procedural justice rules is personnel development. With regard to the fairness perception of HR instruments by temporary agency workers it is critical that many client companies offer their core employees' skills training, while temporary agency workers are often not entitled to participate in these programmes. However, as current studies suggest, investment in training in the temporary work industry is generally low in the European Union (Storrie 2002). According to a survey by Autor (2003), skill training expenditures in the American temporary work industry are modest, estimated to be between 4% and 9% of wages paid to trainees. Another survey by Autor et al (1999) calculates, that only 18% of temporary agency workers receive specific skills training. Additionally, temporary agency workers generally receive less training than regular employees (Rogowski & Wilthagen 2004). A survey conducted by Letourneux (1998) comprising 15.500 workers in the EU, showed that 35% of all surveyed employees but only 12% of temporary workers received some kind of personnel training within a 12 months period (Letourneux 1998). However, as temporary agency work is expanding rapidly, it will be favourable for both – temporary work agencies and client companies – to offer more training for temporary agency workers. From a fairness perspective there should be clear rules that regulate the participation of temporary agency workers in personnel development programs at the client company as well as in the temporary work agencies. Besides improving the perceived fairness of HR instruments, offering

free general skills training - like computer skills - and bearing the costs up-front is favourable for temporary work agencies for several other reasons. As turnover is high, temporary work agencies are in a process of on-going recruitment. Training is a typical feature to attract desirable workers (Autor, 2001a). According to several studies, employees with greater earnings potential are more likely to receive training (Acemoglu & Pischke 1998; Altonji & Spletzer 1991). As Bartel and Sicherman (1998) demonstrate, workers with higher skills, measured by standardized test scores, are more likely to participate in training measures. Thus, the most desirable workers will value personnel development programs the most and are the most sensitive when it comes to fairness perceptions regarding their participation in such programs.

Proposition 3: Clear rules on participation in personnel development programs of the client company and the temporary work agency will influence the fairness perception positively.

Another aspect that contributes to perceptions of procedural justice is the opportunity to challenge and modify the decision-making process which means that workers receive a second chance (Greenberg, 1986a; Sheppard and Lewicki, 1987). This would also apply to the participation of temporary agency workers in personnel development programs. As studies show, workers of high perceived ability choose firms offering training in expectation of wage gains and permanent employment, even though entrance wages might be lower. This induces self-selection, as low ability workers are deterred by training measures and limited expected gains (Autor 2001a), which would support the assumption to offer training to temporary agency workers. On the other hand, Human Capital Theory assumes that investment in training and development is a consequence of optimizing decisions made by both worker and employer (Becker 1964). Both parties are only willing to carry the costs of training, if they can recoup their investment. As Acemoglu and Pischke (1999) conclude, a firm's pay-off from training is negatively related to the probability that workers exit. In Germany, 90% of all temporary workers leave the sector within six months (Jahn & Rudolph 2002) and 66% of all temporary assignments last less than three months (Storrie 2002). In the United States for example 58% of workers exit the sector within a quarter of a year and 83% within two quarters (Segal & Sullivan 1997). Since

temporary agency workers have a higher turnover rate than other workers, it can be expected that temporary work agencies might be less inclined to fund training (Forrier & Sels 2003). This strategy might work in the short run, but especially when it comes to long-term hiring out, as it is now possible in Germany, it may even from a cost perspective prove not to be efficient. Even using temporary agency workers for low paid and well structured routinized work might lead to problems, when the temporary work agency fails to provide competent service or when the work done by the agency workers requires the establishment of close customer relations (Rubery et al 2002). One solution which would also enhance the fairness perception of HR instruments would be to offer a test for temporary agency workers after each assignment and decide whether they need additional training or are entitled to participate in personnel development programmes, even if in the first place they have not been entitled to participate. These reconsideration opportunities can influence the fairness perception.

Proposition 4: Offering training and personnel development programs for temporary agency workers will positively influence the fairness perception.

Pay and performance management is the third HR instrument covered by procedural justice rules. With regard to pay and performance management, the measuring of individual performance is one central factor influencing the perceived fairness. As studies in the organizational justice literature suggest, procedures are perceived to be fairer if employees have the opportunity to express themselves prior to the performance evaluation (e.g. Thibaut and Walker, 1975). In this context expressing oneself can be interpreted as having the adequate opportunity to demonstrate one's knowledge and skills as well as to discuss one's performance with colleagues and supervisors. Thus temporary agency workers should have the opportunity to show their abilities within their assignments and rules should be established that assign temporary workers to jobs that fit their skills and knowledge best.

Proposition 5: Assigning temporary agency workers to jobs where they can demonstrate their knowledge and skills, will lead to higher performance results and a higher degree of perceived fairness.

However, as the agency workers perform their work at the client's site, the agency is usually not in a position to undertake some of the central tasks associated with being an employer (Rubery et al 2002). For example, the agency is not in a position of supervising the work process or even establishing and verifying performance measures, that serve as a basis for decisions on positive or negative appraisals and career promotion (Rubery et al 2002), making it more difficult for agency workers to express their opinions before the performance appraisals decision is made. This is even more true when the responsibility for setting performance standards for temporary agency workers does not lie with the direct employer but with the client. As the client is in many cases involved in actually monitoring the performance of temporary workers and passing on information to the agency, information systems have to be installed including both perspectives in order to positively influence the perception of fairness. Research shows that the opportunity to offer information during a performance appraisal was related to the perceived fairness (Dipboye and de Pontbriand, 1981). As far as disciplinary issues are concerned, the agency might completely rely on information provided by the client as the basis for disciplinary sanctions and even dismissals.

Proposition 6: When evaluating temporary agency workers rules must be established that take into account the interdependencies between of temporary work agencies and client companies in order to increase the perceived fairness and to avoid different measures for different groups of workers.

Another important factor in perceptions of the fairness of performance measurement systems is the provision of timely and informative feedback (Tyler and Blies, 1990). Reactions to performance appraisals are more favourable, if employees receive feedback on their performance. With regard to the informativeness of feedback, feedback that is developmental and provides information on how to remedy deficiencies is valued among employees (Dodd, 1977).

Proposition 7: Giving temporary agency workers timely and informative feedback will positively influence the fairness perception.

Concerning pay, benefits and rewards for temporary agency workers the perceived fairness will also depend on the structure of the pay system. Although in many European countries Equal-Pay regulation is in place, increasing the perceived fairness of pay, pay differentials between core workers and agency workers still exist. As Nienhüser and Matiaske (2006) show in their study for Germany, the wage differential between temporary workers and permanent staff is still between 22% and 40%. The wage differences tend to be more significant for low qualified workers from all sectors: on average, wages earned by temps were only 60% of the salaries of core employees for blue-collar workers in West Germany and 71% for white collar workers (Jahn & Rudolph 2002). As transparency and fairness are central aspects of pay systems, the pay system for temporary agency workers should be extended with some additional elements to increase motivation. Given the legal situation in Germany, where agency workers are covered by the Equal-Pay principle (Mitlacher 2005a), it is not very likely that client companies will pay temporary workers additional rewards in form of cash. Thus, non-monetary elements can be included that influence the relationship between client company and temporary agency worker in a positive way. For example, temporary agency workers that show good performance, might be offered direct contracts, as wide pay differential based solely on employment status and not on skill levels might become indefensible over a longer period of time (Rubery et al 2002). The data supplied by the BZA, the association of licensed temporary work agencies in Germany, states that 30% of temporary agency workers are transferred into regular employment at client companies, thus indicating that client companies make extended use of this option, whether this is explicitly regarded as a part of their pay system or not (Mitlacher 2005b). However, empirical studies indicate a much lower rate (Mitlacher and Ruh 2003; Rudolph & Schröder 1997). According to results from the Business Panel of the IAB, approximately 15% of temporary agency workers are employed by former clients of the temporary work agency after resigning from their temporary assignment (IAB 2004).

Proposition 8: Offering temporary agency workers non-monetary rewards – like the opportunity of moving to a permanent position at the client company – will increase the perceived fairness.

Interpersonal treatment is another aspect for the perceived fairness of HR instruments by temporary agency workers. Regarding communication, triangular employment relationships are different from the traditional two-way communication. Research on procedural justice clearly demonstrates the importance of two-way communication (Greenberg, 1986a). For agency workers two-way communication with their co-workers and supervisors at the clients' site should be accompanied by the possibility to enter a dialogue with their fellow agency workers and supervisors at the employment agency. However, as research on temporary agency work suggest there are still deficits concerning communication between agency workers and their colleagues and supervisors at the client's site. For example, studies for the European Union show that 77% of regular employees discuss workplace related problems with colleagues, while only 60% of temporary workers do (Letourneux 1998). The situation is similar when analysing the relationship between managers and employees. While 68% of regular employees discuss problems with their superior, only 46% of temporary workers do so (Letourneux 1998).

Proposition 9: Regular communication between temporary agency workers and their colleagues at the client company as well as at the temporary work agency will positively influence the fairness perception.

Another aspect of interpersonal treatment is acceptance and integration by co-workers. As studies show, temporary agency workers are the least likely of all workers to get assistance from colleagues (Paoli & Merillé 2001). Studies for Germany for example indicate that 30% of temporary agency workers do not have a good relationship with regular employees in client companies (Wieland & Grüne 1999). Research in the US has shown similar results. In a study conducted by Kochan et al. (1994), 28% of regular employees reported that there are often conflicts between regular and contingent employees (Kochan et al 1994). This leads to the following proposition.

Proposition 10: Social integration and acceptance by co-workers and supervisor at the client company will positively influence the fairness perception.

5. DISTRIBUTIVE JUSTICE RULES

Besides procedural justice, distributive justice influences the perceived fairness of HR instruments. The focus of distributional justice theories is the extent to which recipients receive outcomes in an amount that is consistent with a given distribution rule (Gilliland, 1993). In the distributive justice literature three distributional rules have been identified: equity, equality and special needs where equity is the clearly dominant rule (Deutsch, 1975).

Applying the equity rule to triangular employment relationships, temporary agency workers should receive rewards that are consistent with the inputs they contribute (at the client's site) relative to a referent comparison. At first glance, equity might not be appropriate to triangular relationships because it might be difficult to compare the input of agency workers in comparison to other agency workers if they work at different clients. However, the use of an "other" as a reference point is only one of many reference points (Goodman, 1974). Another category would be self-referents. In this case, people compare their actual input/output ratio with a past input/output ratio suggesting that feelings of unfairness arise from these internal standards (Pritchard, 1969). This translates into an evaluation of met expectations. In the case of temporary agency work, temporary agency workers expect – if they for example do not receive the same monetary rewards - that they are compensated for their effort by other rewards for example by receiving a permanent contract at the client company or being eligible to participate in personnel development programs. This leads to the following propositions.

Proposition 11: A violation of the equity rule based on underpayment or the lack of other non-monetary rewards will result in a lower fairness perception of agency workers.

According to the equality rule all employees should have the same chance of receiving the outcome regardless of their employment status. This rule is especially important with regard to its violation. Thus, if an employee is not granted an outcome as a consequence of job-irrelevant characteristics (like the kind of employment

arrangement) rather than for relevant characteristics (e.g. performance), the equality rule is clearly violated. This leads to the next proposition.

Proposition 12: A violation of equality based on job-irrelevant differentiating characteristics such as the type of employment contract will negatively influence the perception of fairness.

Finally, the need distribution rule states that rewards should be distributed according to employees' individual needs (Gilliard, 1993). These unique considerations for a special group of employees are perceived as fair, if a subgroup of disadvantaged individuals needs special assistance. This might be the case for example for temporary agency workers with disabilities that use agency work to (re-)enter the labour market.

Proposition 13: Agency workers with disabilities can be treated differently from other groups of workers without having a negative influence of the fairness perception.

The following figure 2 summarizes the propositions in the context of the analytical framework and shows the influence on fairness perceptions.

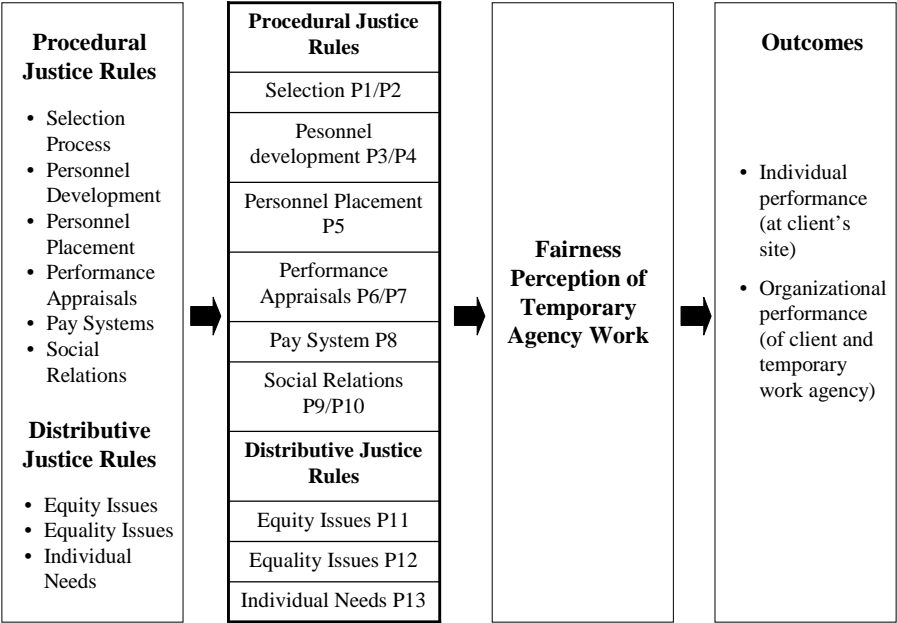


Figure 5: Propositions and analytical framework

6. CONCLUSION – OUTCOMES AND FURTHER AVENUES FOR RESEARCH

The focus of the analysis has been on the fairness perceptions of agency workers. However, as the framework shows, these perceptions influence individual and organisational outcomes. The outcomes concern the behaviour of agency workers before being assigned to a client and the behaviour after the placement. This behaviour then influences individual and organisational performance. When analysing the relationship of fairness perceptions of agency workers and outcomes, the former experiences of agency workers with assignments have to be considered. Before the assignment to the client company, the experiences with the selection process are important. For example, if agency workers know in advance the type of selection rules in place this can positively influence the fairness perception and consequently organisational outcomes such as performance. Additionally, temporary work agencies can positively shape their image and thus the performance of agency workers if they have fair HR instruments installed. The implementations of HR instruments that are perceived to be fair thus influence organisational and individual performance.

The treatment of agency workers at the employment agency will certainly influence the fairness perceptions at the client site's during their assignments. If agency workers receive courteous and fair treatment at the temporary work agency, they are more likely to expect these behaviours during the assignments. Studies show the relationship between the perception of fairness and justice, job attitudes and behaviour on the job (Moorman, 1991; Folger and Konovsky, 1989), which can be transferred to the assignments of agency workers. Further, clear communication about the job assignments and expectations will increase the perceived fairness and lead to increases in performance and organisational commitment (Premack & Wanous, 1985).

As the discussion shows there is some preliminary support for a link between the fairness perception of agency workers, the organisation of HR instruments and outcomes. However, more studies are needed in order to examine the relationship more closely especially how the design of HR instruments influence the fairness

perception of agency workers. In this context the impact of this fairness perceptions on performance should also be considered. The proposed analytical framework does of course not cover all possible variances in attitudes, fairness perceptions and behaviour of agency workers in their employment agencies and at client companies. The propositions are a first step to explore and high-light some of the areas fruitful for further research in this field. The impact of fairness perceptions on the performance of agency workers, however, will influence performance, thus making it an important issue to consider when talking about HRM instruments in client organisations and employment agencies.

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