Agency Workers Identification: The Moderating Effect of Perceived Employment Discrimination

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Abstract

This research deals with an issue of increased importance in human resource management theory, research, and practice in the Chinese context. Using a sample of 309 agency workers from China, I investigate how organizational image, perceived organizational support, and perceived employment discrimination towards agency workers affect agency workers' organizational identification. The investigation shows that organizational image is positively related to organizational identification and organizational support is positively related to organizational identification. Furthermore, the positive effect of organizational image on organizational identification was stronger when agency workers perceived a low level of employment discrimination. The results suggest that client organizations with higher level of organizational image and providing more support for agency workers are more likely to have agency workers' identification.

Keywords: Agency workers; Organizational image; Perceived organizational support; Employment discrimination; Organizational identification.

1. Introduction

As organizations would like to have more flexibility, effectiveness, and productivity in terms of workforce employment, the number of agency workers increases rapidly in contemporary organizations (Mitlacher, 2007; Slattery, Selvarajan, &Anderson, 2006). Even in China, there are about 37 million temporary agency workers who are employed by agency organizations but work in client companies, accounting for 13.70 percent of China’s approximately 300 million urban employees (Lin, 2013). Moreover, the agency work has been adopted by multiple
forms of ownership, such as state-owned enterprises, foreign-invested companies and domestic-invested corporations in China. Additionally, agency workers can be found in nearly all kinds of industry sectors.

While temporary agency workers provide firms with more workforce flexibility, most organizations are confronted with having to effectively manage them (Zhang, Bartram, McNeil, & Dowling, 2014). Compared with traditional workers, the work arrangements of agency workers represent transitory task and lower-intensity connections with the firms which they work for. These lead to agency workers’ feelings of isolation, discrimination and work stress. Typical problems related to attitudinal issues of temporary agency workers include low levels of identification (De Cuyper & De Witte, 2008). It is not uncommon that many agency workers admit that their client organizations neglect them. In fact, agency workers have limited physical contact with their agency employer and have limited administrative contact with their client organization (Pfeffer & Baron, 1986). It is important to understand agency workers’ organizational identification because it significantly influence the psychological well-being of employees (Cappelli & Keller, 2013), and their work outcomes (George & Chattopadhyay, 2005), such as turnover or quit (Galup, et al., 2008), extra-role behaviors and organizational citizenship behaviors (Grojean, et al., 2006).

We know little, however, about how agency workers develop their identification with client companies in China. On one hand, most of what we know about employees’ identification is based on research of full-time employees. On the other hand, most of research on agency workers' identification have been examined in Western countries (e.g., the United States, European, and Australia) (Hall, 2006; Nienhüser & Matiaske, 2006). As a new employment approach in China, however, there are short of empirical investigations regarding the effects of agency work in the Chinese context.

Therefore, this study is one of the attempts to fill this void and explore a systematic and comprehensive evaluation of the employee-organization relationship of agency workers in China. I conducted this research and attempted to answer the questions about how organizational image and organizational support influence agency workers’ organizational identification with their client companies. The moderating effects of perceived employment discrimination against agency workers were also examined. Our research makes theoretical contributions: firstly it strengthens our understanding of perceived employment discrimination and its impact on the relationships between organizational image and organizational identification, and between perceived organizational support and organizational identification. Secondly, it examines the phenomenon of agency workers in the Chinese context. Thirdly, it utilizes empirical research to examine the employee relationship issue from the perspective of human resource management and organizational behavior.

2. Theory and Hypothesis

To explain how agency workers develop their identification with the client company, in this section I develop theory and hypotheses based on organizational identification theory.

I followed Mael and Ashforth’s (1992) definition of organizational identification as the “perception of oneness with, or belongingness to, an organization where the individual defines him or herself in terms of the organization in which he or she is a member” (p. 22). Although agency worker may have dual organizational identification with both agency organization and client organization (Ashforth, et al., 2008), in the current study, I focused on agency worker’s identification with the client organization.

Organizational image refers to the perception of an organization’s identity from the outside (Whetten & Mackey, 2002) and it influences employees’ work performance. Employees receive and interpret various messages from diverse external constituencies. Consequently from these messages that employees receive, employees form an opinion about how outsiders perceive the company (Smidts, et al., 2001). This is what some researchers name as “interpreted reputation” or “construed external image” (Dutton, et al., 1994). Perceived external image can therefore be interpreted as reflecting the social value assigned by employees to their employer’s identity. A favourable image creates a better understanding of the central, distinctive, and enduring character or essence of the organization.

High levels of organizational image lead employees to be receptive to the superiority of the organization. For instance, Dutton, et al. (1994) argue that people are more likely to identify with organizations which they believe have positive external images, because being associated with such positively viewed organizations could bring employees some kind of “reflected glory” and consequently boost their self-esteem. This argument has been
supported by numerous studies that the higher organizational image is related with individuals’ greater identification with the organization (Kreiner & Ashforth, 2003). Moreover, in the Chinese context, there is a relation-centered world, in which social relations are accorded great significance, and relationships are often seen as ends in themselves rather than means for realizing individual goals (Sun and Wang, 2009). Therefore, in the Chinese business world,

Hypothesis 1: Image of the client organization will be positively related to agency worker’s organizational identification.

Perceived Organizational Support (POS) is the degree to which employees believe that their organization values their contributions and cares about their well-being and fulfills their employees’ socio-emotional needs (Rhoades & Eisenberger, 2002). It is well established that one of the antecedents to organizational identification is POS. As Edwards and Peccei (2010) state, when organizations show concern for their employees’ well-being, there will be a tendency for these individuals to develop an attachment and identify with the organization. It is also reasonable that agency workers may be more likely to view themselves as part of the organization when they perceive support from co-workers, supervisors, and top management in the workplace (Luhtanen & Crocker, 1992). Furthermore, the principle of reciprocity suggests that individuals who perceive higher level of organizational support may be motivated to reciprocate (Gouldner, 1960), which may be manifested in stronger organizational identification. Organizational support can affirm temporary agency workers’ value and informal standing as well as increase an organization’s perceived attractiveness. Previous empirical research suggests that high levels of organizational support may have positive impact on organizational attachment of agency workers (Mcclurg, 1999). Based on empirical work in China, it is noticed that organizational identification mediates the relationship between perceived organizational support and other work performance, such as turnover intention, work outcome (Shen, et al., 2013). Therefore, POS may be positively associated with organizational identification of agency workers (Connelly, et al., 2007). Thus,

Hypothesis 2: Perceived organizational support from the client organization will be positively related to an agency worker’s organizational identification.

It is noticed that agency workers experience more adverse psychological outcomes than permanent employees (Wilkin, 2012). Social comparison theory can help to explain how agency workers compare their received outcomes with those received by permanent employees (Festinger, 1954). Individuals will make social comparisons with other people who are proximate to themselves (Kulik & Ambrose, 1992). Agency workers believe that they should get equal treatment, as previously promised by client organization. Agency workers may have low job satisfaction (Wilkin, 2012), when they feel that they did not get similar payments and benefits compared with permanent employees (De Cuyper et al., 2008). Agency workers not only receive lower payment and get fewer benefits (Kalleberg, 2000), but also do not have any career development or training (Kivimäki et al., 2003). Particularly, agency workers get lower work performance ranks, and often get unjust treatment (Boyce, et al., 2007). In an examination of attitudes and behavior of agency workers, McLean Parks et al. (1999) point out that some striking problems facing agency workers, such as identity struggles and the inherent ambiguity, come from the dual control of the agency workers by the agency organization and the client organization. They suggest that agency employees not only are motivated and bounded by a rational, explicit, transactional contract with the organization, but also develop a broader, more implicit relational psychological contract which affects their performance. Therefore, I define employment discrimination as treating employee less favorably by client companies because of their agency work contract. A higher level of organizational image may provide agency workers with a better understanding of the central, distinctive, and enduring character or essence of the organization. The impact of organizational image on organizational identification is more likely to depend on employees’ perceptions of employment discrimination. Even when an employee enjoys the glory of positive organizational image, the perception of being discriminated compared with other permanent employees may still hurt their self-esteem, thereby leading to lower level of organizational identification.

Likewise the relationship between POS and organizational identification might be changed by an agency worker’s perception of employment discrimination. Even when an employee perceives organizational support as a whole, but the sense of being discriminated against by the organization they work for may make them feel unfairly treated, thereby leading to lower level of organizational identification. Therefore, I expect that:
Hypothesis 3: The relationship between organizational image and an agency worker’s organizational identification will be moderated by the agency worker’s perceived employment discrimination such that the relationship is weaker in the presence of higher perceived organizational employment discrimination.

Hypothesis 4: The relationship between perceived organizational support and an agency worker’s organizational identification will be moderated by the agency worker’s perceived employment discrimination such that the relationship is weaker in the presence of higher perceived organizational employment discrimination.

3. Method

3.1 Sample

Data collected in the region of China where contracting agencies have increased since China implemented the Labor Contract Law in 2008, which stipulates that employers must pay workers’ health insurance and social security benefits and makes firing very difficult. These sample organizations located in Shenzhen and Dongguan (located in the Southern part of China, surrounding Guangzhou) where temporary agency workers account for the majority of work force in China. Concerning survey administration, with the assistance of academic staff I contacted human resource (hereafter HR) directors who attended the MBA program in Shenzhen University. After introducing the purpose of this study, I asked 10 HR directors for their permission to participate in the investigation on behalf of their companies. About 450 questionnaires were mailed out to five HR directors of five different firms who indicated a willingness to invite the agency workers in their firms to participate in the survey. These firms represent three industries (telecommunications, electronics, and manufacturing). Among of five firms, three are private companies, one is a foreign owned company and one is a state owned company. All firms were large organizations with more than 150 agency workers employed. The fact that these firms were all large organizations may have affected the extent of images of organization perceived by temporary agency workers. It may also have played a role in determining temporary agency workers’ expectations towards the support received from the organizations and their employment relationship. The participants were agency employees, who were assured anonymity of their responses. Each questionnaire was attached to a cover letter providing clarifications about the research and a pre-stamped and self-sealing return envelope addressed to the researchers. To maximize the response rate, I contacted the HR directors by phone or emails two weeks after the initial distribution of the survey.

Data was collected from November to December in 2012 and about 410 questionnaires from five firms were received. Missing data on key variables reduced the final analysis sample size to 309, indicating a response rate of 75.4 percent. Of the respondents, 19.8 percent were in the electronics industry, 70 percent were in telecommunication industry, and 10.2 percent were in the manufacturing industry. About 19.6 percent were from the state-owned firm, 60.6 percent were from the two private firms, and 19.8 percent were from the foreign firm. Females comprised 40.7 percent of our sample (n=160). Participants’ ages ranged from 16 to 41 years, and the average age was about 25 years old. Regarding total work experience, 44.6 percent of the sample (n=138) had up to 3 years work experience. About 67.8 percent of the sample (n=257) have worked for the present organization for 1 to 12 months. Around 92.8 percent of the sample (n=288) had less than 3 years agency work experience. Concerning education level, 68.3 percent of respondents (n=258) held a high school degree, and 13.5 percent (n=51) held an associate degree. Those descriptive statistics of participants showed that most of agency workers were quite young and only had a low education level.

To assess the non-response bias, I firstly compared early respondents with late respondents and found no significant differences in demographic variables, such as gender, age, education level, agency work years, and total work years. Secondly, I performed paired t tests on each of our independent variables, comparing the means of respondents with missing items to those who submitted complete surveys. The results indicated that respondents with incomplete surveys were not significantly different from those who submitted complete responses.

3.2 Measures

A six-item scale developed by Riordan, et al. (1997) was used to measure the organizational image. Because of the high internal reliability and high correlations among items reported for the Survey of POS (Rhoades &
Eisenberger, 2002), I selected 8 of the 36 items that had been found to load highly on the main factor and that seemed applicable to a wide array of organizations (Rhoades & Eisenberger, 2002). Organizational identification was measured using Mael and Ashforth’s (1992) 6-item survey scale, which is a widely accepted measure of organizational identification (Riketta, 2005). Discriminations in gender and ethnicity have received scholars’ attention for the past years (Cunningham et al., 2012), however, few studies focus on employment discrimination of agency workers, leading to few existing instrument available to measure perceived employment discrimination. To fill this gap, I developed the perceived employment discrimination questionnaire, which is a self-report measure designed to assess the employment discrimination perceived by agency workers. Employment discrimination was operationalized as temporary workers’ perception of being treated unequally, because of their agency work contract. Specifically, I followed the scale development procedure proposed by Hinkin (1998). Firstly, I conducted a preliminary interview with a sample of 12 temporary agency workers. Drawing on Sanchez and Brock’s (1996) study in perceived discrimination among Hispanic employees, I asked the temporary agency workers to list their perceptions, resulting from their agency work status. By analyzing the content of their responses, I identified six areas of perceived discriminations from client companies. Secondly, I conducted a preliminary survey using the six-item scale with a sample of 60 temporary agency workers. The respondents reported the extent of their agreement with each item on a five-Likert scale. Exploratory factor analysis (EFA) of the six-items showed a single factor of perceived employment discrimination accounting for 63.8% of the total variance. Eigen value was 3.82, and the Cronbach’s alpha found for this scale in our study was .88, justifying a sufficient level of internal consistency.

Consistent with prior studies, I controlled for several variables when testing our hypotheses. First, I controlled for agency workers’ individual demographic characteristics because individual differences, particularly age, gender, education level, total number of years worked, years worked in current firm and number of years worked as an agency worker may potentially confound results (Millward & Brewerton, 1999). In addition to individual demographic characteristics, I also controlled for several firm level variables found to influence employee identification, including firms’ ownership type and industry affiliation.

To evaluate the bias of common method variance, which may be exacerbated by the cross-sectional design employed in this study (Salancik & Pfeffer, 1978), I used Harmon’s one-factor test to assess whether a single latent factor could account for all manifest variables, thus indicating that common method variance posed a serious threat to the interpretation of findings from this study (Podsakoff et al. 2003). Using LISREL 8.75 and entering all self-report scales of organizational image, POS, organizational identity, and perceived employment discrimination, I calculated a one-factor model, showing poor goodness of fit (Chi-Square = 4549.30, df = 299, p < .01, NFI = .72, CFI = .74, RMSEA = .215).

Prior to hypothesis testing, I checked the validity of the model for the four latent variables used in this study: organizational image, POS, organizational identity and perceived employment discrimination. Confirmatory factor analysis was conducted on these data. The fit indices of the 4-factors model were marginally satisfactory (Chi-Square = 1183.62, df = 293, p < .01, NFI = .89, RMSEA = .099, CFI = .91). All item loadings in the model were significant, ranging from 0.47 to 0.91, with an average loading of 0.86.

4. Results

Means, standard deviations, and inter-correlations for main variables are presented in Table 1.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Organizational identification</td>
<td>3.47</td>
<td>.81</td>
<td>.84</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Perceived organizational support</td>
<td>3.08</td>
<td>.68</td>
<td>.34**</td>
<td>.89</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Organizational image</td>
<td>3.23</td>
<td>.79</td>
<td>.43**</td>
<td>.57**</td>
<td>.85</td>
<td></td>
</tr>
<tr>
<td>4. Employment discrimination</td>
<td>2.91</td>
<td>.79</td>
<td>-.01</td>
<td>-.29**</td>
<td>-.15**</td>
<td>.88</td>
</tr>
</tbody>
</table>

Notes: N=309, Cronbach’s are shown on the diagonal for all scales.
** p≤.01, *p≤.05
I conducted a hierarchical multiple regression analysis to test our hypotheses. The regression analysis consisted of three steps. In step 1, all control variables were entered, in step 2, independent variables were entered, and in step 3 the moderator and the interactions between the independent variables and the moderator were added. Specifically, a separate examination of the moderation effect was preferred because potential independent variables and moderator were not completely independent thereby making their relative contributions difficult to disentangle (Sanchez & Brock, 1996). In doing so, I repeated steps 3 twice, one for each potential moderating effect. I also computed omnibus regressions by entering all main effects and all potential interactions at step 4 (Table 2).

### Table 2 Hierarchical regression models predicting organizational identification

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
<th>Model 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecommunication industry (dummy 1)</td>
<td>.134</td>
<td>.107</td>
<td>.05</td>
<td>.111</td>
<td>.089</td>
</tr>
<tr>
<td>Manufacturing industry (dummy 2)</td>
<td>-.122</td>
<td>-.114</td>
<td>-.121*</td>
<td>-.111</td>
<td>-.117*</td>
</tr>
<tr>
<td>State-owned firm (dummy 3)</td>
<td>-.310**</td>
<td>-.262***</td>
<td>-.198*</td>
<td>-.252**</td>
<td>-.218*</td>
</tr>
<tr>
<td>Private firm (dummy 4)</td>
<td>-.344***</td>
<td>-.310***</td>
<td>-.265***</td>
<td>-.328***</td>
<td>-.301**</td>
</tr>
<tr>
<td>Gender</td>
<td>.037</td>
<td>.038</td>
<td>.041</td>
<td>.052</td>
<td>.039</td>
</tr>
<tr>
<td>Age</td>
<td>.07</td>
<td>.043</td>
<td>.014</td>
<td>.032</td>
<td>.015</td>
</tr>
<tr>
<td>Education level</td>
<td>-.23***</td>
<td>-.242***</td>
<td>-.201***</td>
<td>-.194***</td>
<td>-.201***</td>
</tr>
<tr>
<td>Work year in current firm</td>
<td>.015</td>
<td>-.014</td>
<td>-.011*</td>
<td>-.025</td>
<td>-.032</td>
</tr>
<tr>
<td>Total work year</td>
<td>.177**</td>
<td>.156***</td>
<td>.156***</td>
<td>.181***</td>
<td>.165**</td>
</tr>
<tr>
<td>Agency work year</td>
<td>.02</td>
<td>.061</td>
<td>.021</td>
<td>.054</td>
<td>.044</td>
</tr>
<tr>
<td>Perceived organizational support (POS)</td>
<td>.136**</td>
<td>.272***</td>
<td>.136**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational image (OI)</td>
<td>.248***</td>
<td>.326***</td>
<td></td>
<td>.260***</td>
<td></td>
</tr>
<tr>
<td>Employment discrimination (ED)</td>
<td>.100*</td>
<td>.132***</td>
<td>.126**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OI x ED</td>
<td>-.212***</td>
<td></td>
<td>-.173**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>POS x ED</td>
<td></td>
<td>-.156***</td>
<td>-.061</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(R^2)</td>
<td>.10***</td>
<td>.22***</td>
<td>.25**</td>
<td>.26**</td>
<td>.28***</td>
</tr>
</tbody>
</table>

Notes: N=309, *** \(p \leq .001\), ** \(p \leq .05\), * \(p \leq .10\)

To test hypothesis 1 and hypothesis 2, firstly, I entered the control variables (gender, age, work tenure in present organization, total work experience, and education level) into model 1. This step was statistically significant (\(R^2=.08\)). Second, organizational image and POS were added into model 2. The results of model 2 showed that both organizational image (\(\beta=0.381, p<.01\)) and POS (\(\beta=10, p<0.05\)) had significant positive relationships with organizational identity, supporting Hypothesis 1 and 2. Third, the two-way interaction between organizational image and perceived employment discrimination was added into model 3. The results indicated that the interaction term was significantly related to organizational identification and explained an additional 4.3 percent of the variance beyond the controls and main effects (\(\beta=-0.213, p<.001; R^2=.22, \Delta R^2=.04\)), supporting Hypothesis 3. Also, the two-way interaction between POS and perceived employment discrimination was added into model 4. The results showed that perceived employment discrimination had a negative interaction with POS (\(\beta=-0.157, p<0.05; R^2=.19, \Delta R^2=.04\)), supporting Hypothesis 4.

I also computed omnibus regressions by entering two main effects and two moderations effects in model 5. Comparing the coefficients of our interaction variables in the omnibus model with model 3 and model 4, I found that the interaction between organizational image and perceived employment discrimination is negative and highly significant (coefficient=- 0.177, p<0.001), providing additional support for H3 from the model 3. The interaction between POS and perceived employment discrimination is still negative, however, its significance diminishes (\(\beta= -
0.054, p>0.1). This indicates that the weak support for H4 is not robust when I take endogeneity of POS variables into account. Finally, the sign and significance of the other control variables remain to a large extent robust in the omnibus model 5.

To clarify the interaction of organizational image and perceived employment discrimination, I conducted a simple slope analysis (Aiken & West, 1991). The end points of the lines in Figure 2 represent the variables at ±1 SD around the mean values. The results of the simple slopes analysis showed that when perceived organizational discrimination were high, organizational image did not a significant effect on organizational identification ($\beta = .02$, $p = .88$). However, when perceived organizational discrimination was low, organizational image had a strong effect on organizational identification ($\beta = .64$, $p < .01$).

Figure 1 Interaction between perceived organizational discrimination and organizational image on organizational identification

5. Discussion

The findings suggest that, on the one hand, certain factors that are expected to predict organizational identification in regular employment settings (i.e., organizational image and POS) may also be important in a diversified employment context. On the other hand, these predictors’ effects on organizational identification depend on agency workers’ perceived discrimination. The results suggest that managers may strengthen organizational identification among agency employees who may not be intrinsically motivated to identify with the organization by either providing organizational support or improving organizational image. Also, the results indicate that when perceived discrimination is relatively high, neither organizational image nor organizational support can be used to improve agency workers’ identification to the client organization. Thus, managers need to find a situation that makes agency workers perceived discrimination minimized.

The findings have important implications for future research on individual differences as predictors of strength of organizational identification (Ashforth, et al., 2008). Although some theories and researches are available regarding contextual factors predicting organizational identification, the effect of employment differences (i.e., employment via an agency or permanent employment) might be neglected in the organizational identification research. Moreover, little attention has been paid to agency workers’ organizational identification. This study extends the stream of identification research into the domain of agency work. Our findings are consistent with the relationship between organizational identification and the impersonal and personalized antecedents of regular or permanent workers (George & Chattopadhyay, 2005; Mael & Ashforth, 1992), suggesting that the relationships proposed to operate in a traditional employment context may also emerge among agency workers.

However, our results also suggest that with respect to agency workers, the relationships between organizational image and organizational identification are attenuated when the employment discrimination against agency workers
is relatively high. Specifically, while it indicates that organizational image and organizational support are important in predicting organizational identification, the importance of these attributes may be attenuated by the employment difference between permanent and agency workers. Thus, while client organizations may have a good reputation and provide support for their employees, the employment discrimination against agency workers may counterbalance those advantages. These results suggest that employment status acts as a key role in influencing agency employees’ behaviours, which may be especially important with respect to the management of organizational identification.

6. Conclusion

The present study explores how organizational image and organizational support affect organizational identification of agency workers. I find that both organizational image and organizational support are positively related to organizational identification, but that relationship is dramatically attenuated when the level of perceived employment discrimination against agency worker is high. Our results have implications for the management of agency worker in the employing organizations, as well as for the study of organizational identification and employment management in the transitional economy of China.

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