



ORIGINAL PAPER

Citation: Kot-Radojewska, M., & Timenko, I. V. (2018). Employee loyalty to the organization in the context of the form of employment. *Oeconomia Copernicana*, 9(3), 511–527. doi: 10.24136/oc.2018.026

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Received: 9 May 2018; Revised: 4 August 2018; Accepted: 25 August 2018

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**Employee loyalty to the organization in the context
of the form of employment**

JEL Classification: M54; M51; M12; J24

Keywords: *form of employment; loyalty; flexibility; organizational commitment*

Abstract

Research background: Organizations that function in the contemporary, competitive economy attribute the increased importance to employee loyalty, which translates, to a large extent, into commitment to work. A loyal employee, strongly associated with the organization, is its valuable asset. On the other hand, in the dynamically changing reality, organizations more often use the alternative, flexible forms of employment, which are not only a response to the needs of the organization, but also employees themselves.

Purpose of the article: The purpose of the paper is to examine the relationship between employee loyalty to the employer and the form of employment.

Methods: The paper presents the results of research conducted by means of a diagnostic survey with the use of a questionnaire among 569 employees of manufacturing and service enterprises operating on the Polish market. Empirical data were collected from December 2015 to January 2016. The research process was based on the grounded theory and statistical analyses were conducted by means of the SPSS, assuming the level of significance at 0.05. In order to compare people with the different forms of employment, the Kruskal-Wallis test was used.

Findings & Value added: The research results indicated that there are certain relationships between the form of employment and loyalty to the employer. A majority of the respondents believed that the form of employment influences the loyalty to the employer. A majority also rated the degree of their own loyalty to the employer high. Employees working under an indefinite duration employment contract rated the impact of the current form of employment on loyalty to the employer higher than people that have a fixed-term employment contract. The people who have an indefinite duration employment contract rated the degree of their own loyalty to the employer higher than people that have a fixed-term employment contract.

Introduction

The key goal of modern companies operating in the conditions of a global postindustrial economy, deep IT and technological changes and high competition is to strive to secure a competitive advantage, included in a long-term development strategy. The 21st-century companies face new challenges and the barriers to their development are no longer tangible. In modern organizations that function in the knowledge-based economy (Madrak-Grochowska, 2015, p. 8), their competitive advantage is determined by intangible assets (Pedrini, 2007, pp. 346–348), primarily human capital, which is a part of intellectual capital (Smriti & Das, 2017, p. 233). „Many modern ideas of organization management emphasize the importance of people” (Cierniak-Emerych & Piwowar-Sulej, 2017, p. 302). Employees with their knowledge (Becker, 1993; Abdillah *et al.*, 2018, p. 137; Popov & Vlasov, 2018, pp. 122–124) or, more broadly speaking, competencies (Szczepańska-Woszczyna & Dacko-Pikiewicz, 2014, pp. 266–268; Vlacsekova & Mura, 2017, p. 70; Wahl & Prause, 2013, p. 69) determine the strength of the human capital of the organization (Batra, 2009, p. 344), and sharing knowledge is one of the factors building the success of the organization (Burke, 2011, p. 6; Vlacsekova & Mura, 2017, pp. 112–113; Raudeliūnienė *et al.*, 2018, p. 544; Skačkauskienė *et al.*, 2017, p. 36). As employees are the owners of their knowledge, a human resource is very important, and the backbone of every organization, and it is also the main resource of the organization (Khan *et al.*, 2011, p. 63). Knowledge is the main key to creating a sustainable competitive advantage (Matošková, 2016, p. 5) and a source of innovation (Urbancová, 2013, p. 82; Lis & Szczepańska-Woszczyna, 2015, 67–70). Employees are the most valuable asset of every company as they can make or break company’s reputation, and can adversely affect profitability. Employees are often responsible for the great bulk of necessary work to be done as well as customer satisfaction and the quality of products and events (Elnaga & Imran, 2013, p. 137). Expenditure on human resources should be treated as an investment and

source of innovation rather than as an expense (Szczepańska-Woszczyna *et al.*, 2015, pp. 547–550).

A desirable feature of employees sought by organizations in the modern, competitive and dynamic market, is loyalty to the company. Employee loyalty is identified with specific loyalty to the company, manifested in the willingness to be associated with it for longer, not only in good times, but also in unfavorable circumstances (Murali *et al.*, 2017, p. 62). Employee loyalty affects not only their greater commitment to work, but also the observance of rules prevailing in the organization and the workplace discipline. It also affects the sense of job satisfaction in the organization and association with it. A loyal employee also develops the positive brand of their employer. Thus, it seems that the organization's aspiration should be to provide such working conditions that develop employee loyalty. Meanwhile, the pursuit of both the organization and employees of the greater flexibility of employment does not seem to foster employee loyalty. The relationships between a person and the workplace are loose and weakened, and the model of long-term stable employment in one organization (full-time job) becomes a thing of the past (Altman, 2008, pp. 76–79). Due to the pursuit to make the employment in organizations more flexible and the increasingly frequent use of flexible forms of employment (Bąk-Grabowska & Jagoda, 2015, p. 130; Grabowska, 2012, p. 99) (e.g., a contract of mandate, a contract for specific work), it is worth asking whether loyalty to the organization is determined by the form of employment.

The research results presented in the paper aim to answer the question about the forms of employment which determine employee loyalty to the organization to a greater extent. To this end, a survey was conducted among 569 employees of the Province of Silesia in Poland working under indefinite duration employment contracts, fixed-term employment contracts, contracts of mandate, contracts for specific work, and those who are self-employed.

The theoretical part presents a review of literature in the area of human resources management about employee loyalty in the organization, the selected definitions of loyalty and its relationship with aspects such as employee engagement, trust, motivation to work, performance, and self-fulfillment. The typology of employee loyalty and its motives as well as benefits were demonstrated. Subsequently, the research methodology was presented and the research sample was described. The next part presents research results, which were subsequently discussed and attention was paid to the issue of shaping the loyalty of employees working on the basis of the flexible forms of employment. The last part presents key research conclusions.

Theoretical background

The issue of employee loyalty in the literature on human resources management is extensively studied. Some authors perceive it as a particularly important value that is worth spreading (Elegido, 2013, pp. 495–511). Other authors deny it completely, indicating that loyalty may be appropriate only in relationships that require sacrifice, without expecting any form of reward, while business relationships are not selfless in their nature (Duska, 2000, pp. 225–233). Employee loyalty is defined as a conscious act in employer's best interest, even at the expense of their own interest. Therefore, it applies to activities that go beyond the obligations arising from law and ethics (Elegido, 2013, pp. 495–511). It is expressed in the commitment of employees to achieve the success of the organization and in the belief that work for this organization is the best option for employees (Gill, 2011, p. 25). It is therefore closely related to commitment (Ismail & Sheriff, 2017, p. 90). Organizational commitment is one of the factors that influence organizational innovativeness (Fauzia *et al.*, 2017, p. 36). A loyal employee is able to identify with the goals, mission and vision of the organization, has trust in the employer (trust is an important determinant of the development of organizations (Oláh *et al.*, 2017, p. 2), expresses similar values as those that are valued by the organization and strives to satisfy similar needs (Jafri, 2010, pp. 63–67). R. S. Pfeiffer (1992, p. 535–542), however, believes that employee loyalty does not necessarily mean total dedication to the employer. An employee may be an extremely valuable asset of the organization when he/she performs his/her professional duties well and diligently, but he/she has the right to seek other, more attractive or satisfying employment. It is also highlighted that a loyal employee is more trustworthy, more motivated to work, more efficient, and more capable of self-fulfillment and fulfillment in their professional role (Elegido, 2013, pp. 495–511). A. Lipka (2014, p. 27) defines employee loyalty as "(...) the (perceived) probability of work continuance in an organization by an employee with greater or lesser commitment — and certain emotional attachment towards the organization regardless of its image on the market — thanks to employee's or other staff's well-being or due to lack of other opportunities to find a different job or high costs of changing the employer". The quoted definition refers to loyalty that is most desirable by the organization, so it includes types such as partnership loyalty, which is expressed in trust, habits and commitment to work for the organization and commitment loyalty, which is expressed in trust and commitment. However, it does not include those types of loyalty where there is no commitment (loyalty of convenience, consciousness of loyalty out of habit) and those

where employee commitment is negative, such as lenient loyalty, conditional loyalty, helpless coercion loyalty, and unaccepted coercion loyalty (Lipka *et al.*, 2014, p. 27). I. Świątek-Barylska (2013, p. 64) points to the types of employee loyalty such as monopoly loyalty (work for an organization that does not have competition), loyalty resulting from inertia (loyalty resulting from the need for security and at the same time from fear of change and looking for a new employer), convenience loyalty (a sense of comfort is crucial for an employee when making work-related decisions), financial loyalty (resulting from satisfactory salary, benefits, and prizes) and emotional loyalty (expressed in commitment to the functioning of the organization, a positive attitude and attachment to the company). The last one, emotional loyalty, seems to be the most important from the point of view of the organization.

In the relevant literature, two types of motives are indicated in the area of employee loyalty that determine employees to manifest this type of attitude. The first one are rational-functional motives expressed by employees who do not want or cannot leave the organization because of financial benefits or legal restrictions. The second type refers to employees whose loyalty has emotional foundations and is based on the values they express, and is associated with self-fulfillment at work and a sense of satisfaction (Lipka *et al.*, 2014, pp. 27–28). Two dimensions of employee loyalty are also highlighted: external (behavioral), which manifests itself in resigning from other, competitive job offers with a simultaneous recommendation of the parent organization, and internal (emotional), consisting of identifying with the organization (Lipka *et al.*, 2014, pp. 27–28).

The development of the attitudes of loyal employees is influenced by factors both in the organization's environment (e.g., competition, organization image), inside the organization (e.g., strategy, organizational culture) and the personality traits of employees (Szczepańska-Woszczyzna, 2014, pp. 266–282). The relationship between employee loyalty and: the higher profits of the organization (Gerpott & Paukert, 2011, pp. 28–54), the higher productivity and quality of employees (Schüller & Fuchs, 2005, p. 189), less need to control employees, preventing loss of knowledge and competence in the organization, and greater motivation to work (Lipka *et al.*, 2014, p. 28) are also shown. Earlier research indicates the relationship between employee commitment to work and their greater loyalty (Ram & Prabhakar, 2011, pp. 47–61). Employee commitment is perceived as an important factor in achieving organizational goals (Mishra *et al.*, 2016, p. 134). The relationship between a favorable organizational culture and proper management, in which employees are appreciated, and their greater loyalty is also demonstrated (Suharti & Suliyanto, 2012, p. 135). The man-

agement style that is the most effective in evoking employee loyalty seems to be the participative style that engages employees in the decision-making process (Corneanu-Lipou, 2017, p. 45). Loyalty attitudes are also evoked by an empathic approach to the employee (Chun, 2009, p. 475).

Summing up the benefits from the loyalty attitude of employees towards the organization, it seems that it should be in the interest of the organization to undertake activities aimed at creating such conditions in the company that foster employee loyalty. Loyal and committed employees become a significant element of competitive advantage in the conditions of the dynamically changing environment.

Research methodology

The paper presents the results of research conducted on random sample of 569 employees of Polish manufacturing and service companies. The sample is not representative in nature — it does not provide the basis for generalizing the conclusions for the entire population. The research process was based on the assumptions of the grounded theory, according to which a research process consists of building an increasingly general theory based on systematically collected empirical data (Glaser & Strauss, 1999). In addition, the reference to the grounded theory in the research process determines that the research sample does not need to be statistically representative.

Among the respondents, a majority were women (62.74%), people aged 30 to 49 (60.46%). Half of the respondents held the position of a specialist (50.26%), and the function of the manager was performed by 13.53% of the respondents. The overall seniority of the majority ranged from 11 to 20 years (31.99%) and in the current organization of the respondents — up to 5 years (3.60%). The most numerous group were people whose organization operates in the service and trade sectors, as well as in education and culture (11.78%). The smallest number of people represented industries such as protection, uniformed services, real estate, construction, media, and telecommunications. Over half of the respondents (58.17%) worked on the basis of an indefinite duration employment contract, 24.96% of the respondents had a fixed-term employment contract. 6.68% of respondents were self-employed, and 4.92% of respondents had a contract of mandate. The smallest number of people performed work on the basis of a specific work contract (1.05%). Women more often than men had a fixed-term employment contract, while men were self-employed more often than women. People up to the age of 29, more often than the elderly, had a fixed-term

employment contract and a contract of mandate, while people aged at least 50 and from 30 to 49 years had an indefinite duration employment contract more often than younger people. The longer their total seniority, the more often they had an indefinite duration employment contract, whereas the people whose work experience was up to 5 years had a fixed-term employment contract, a contract of mandate and were self-employed more often than those with longer professional experience. People whose work experience in the current organization was up to 5 years had a fixed-term employment contract and a contract of mandate more often than those with longer periods of employment, they also had an indefinite duration employment contract less frequently.

The research used a survey questionnaire, which included 12 closed and semi-open, disjunctive and conjunctive questions. The questionnaire in an electronic form was sent to 5,000 respondents, of whom 569 people filled it (response rate — 11.38%). Empirical data were collected from December 2015 to January 2016. Statistical analysis was conducted using the SPSS software for Windows, assuming the level of significance at 0.05. To compare people who differed in terms of the form of employment, the Kruskal-Wallis test was used.

Results

The research indicated some conclusions in the area of employee loyalty in the context of their form of employment. It tried to answer the question whether and to what extent the current form of employment of employees affects their loyalty to the employer (Table 1). Over 40% of the respondents believe that the form of employment affects *employee loyalty to the employer* to a large extent (42.53%, mean $M = 2.22$).

In order to check whether people with a different form of employment differ in terms of the assessment of the degree of impact of the current form of employment on loyalty to the employer, the analysis was conducted by means of the Kruskal-Wallis test (Table 2).

The results of research among the people with an indefinite duration employment contract show the relationship between the current form of employment and *loyalty to the employer*. On the other hand, the results of research among employees with a contract of mandate show a weak relationship between the current form of employment and loyalty to the employer. The research results in this part of the research sample are therefore dominant. It seems natural that people working under a fixed-term employment contract (with longer experience in the organization) are more

loyal to the employer. This is due to the longer relationship between the employee and the organization. On the other hand, people working under, for example, a contract of mandate were naturally less associated with the company. The analyses conducted by means of the Kruskal-Wallis test showed statistically significant differences. The greater impact of the current form of employment on loyalty to the employer was observed among people that have an indefinite duration employment contract ($p < 0.001$), compared to people who have a fixed-term employment contract. The table below presents the distribution and descriptive statistics for the assessment of the degree of loyalty of the respondents to the organization they worked for (Table 3). Over 80% of the respondents rated their own loyalty to the current organization high or rather high (mean $M = 1.97$).

The analysis of research results conducted by means of the Kruskal-Wallis test aimed to check whether people with a different form of employment differ in terms of self-assessment of the degree of loyalty to the organization (Table 4).

The results of research among people with an indefinite duration employment contract show the stronger relationship between the form of employment and *loyalty to the employer* (mean $M = 1.69$). This relationship was the weakest between people working under a contract for specific work. (mean $M = 2.50$). The results obtained during the analysis of respondents' answers confirm the results obtained in the question about the impact of the form of employment on loyalty to the employer. The results of research among the people that work under an indefinite duration employment contract show the significant impact of the form of employment *on loyalty to the employer*. The relationship between this aspect of work and their current professional situation was also observed. Analyses by the Kruskal-Wallis test showed statistically significant differences. It was observed that people who had an indefinite duration employment contract rated the degree of their loyalty to the employer higher than people that have a fixed-term employment contract ($p < 0.001$).

The respondents agreed with the statement that *flexible employees are less loyal to the employer than employees working under an indefinite duration employment contract* (mean $M = 2.61$) (Table 5).

To sum up, the form of employment based on which the respondents work is important to them. In particular, it affects *loyalty to the employer*. This influence was mostly observed among the people with an indefinite duration employment contract, and to a lesser extent among people working under a fixed-term employment contract, a contract of mandate and the self-employed. The study of the relationship showed that the respondents who work on the basis of various forms of employment differed in their

opinions as to the impact of the form of employment on loyalty to the employer. People working under an indefinite duration employment contract rated the impact of the current form of employment on *loyalty to the employer* higher than persons that have a fixed-term employment contract. Referring the degree of loyalty to their own professional situation, the respondents that work under an indefinite duration employment contract rated their loyalty to the employer the highest. The results obtained also confirmed the study of the relationship. Employees with an indefinite duration employment contract rated the degree of their *loyalty to the employer* higher than persons that have a fixed-term employment contract. In general, the respondents agreed with the statement that *flexible employees are less loyal to the employer than employees working under an indefinite duration employment contract*. However, no relationship was found that would indicate that this point of view was represented by employees who worked based on one specific form of employment.

Thus, the analyses conducted clearly show that the respondents working under an indefinite duration employment contract observed the impact of the form of employment on the degree of *loyalty to the employer*. In the opinion of the majority, this influence is also adverse — flexible employees are less loyal to the employer than people that work under an indefinite duration employment contract. To sum up, the form of employment is significant for the respondents. In particular, it has an influence on *loyalty to the employer*. This influence was observed, first of all, among people that work under an indefinite duration employment contract and to a smaller extent, among people that have a fixed-term employment contract, a contract of mandate and the self-employed.

Discussion

Research results indicate that there is a relationship between the form of employment of employees and their *loyalty to the organization*. The form of employment based on an indefinite duration employment contract fosters greater loyalty to the organization. Companies that use the flexible forms of employment do not provide employees stability and job security. Lack of trust in the workplace, and therefore also concerns about the stability of remuneration, may result in employees striving to change jobs that offer a greater sense of security. Thus, employees may experience a higher level of stress related to the lack of stabilization, which may also affect their loyalty to the organization. Employees remain in the company for as long

as it is beneficial to them in terms of their development or finances, or until new, better opportunities arise.

A relational and psychological contract developed between an employee and an employer in organizations that operate in the stable conditions of the external environment, whereas in the absence of stabilization, the contract is transactional. The relational contract involves the employee's dedication and loyalty to the employer in exchange for job security. Organizational support enabled employees to become more committed to their work (Haque & Aston, 2016, p. 97). The employee expected employment based on an indefinite duration employment contract from the employer, at the same time offering his or her potential and knowledge to the employer's disposal and engaging in the company's affairs. On the other hand, in the transactional contract, long-term organizational loyalty is abandoned in favor of greater individualism and the acceptance of responsibility for own professional development and job security.

A question arises how to develop the conditions for creating employee loyalty in the conditions of the growing flexibility of organizations functioning in the contemporary market (also employment flexibility manifested in the use of less stable forms of employment). It seems important to pay attention to other determinants of employee loyalty, which may include the image of the organization, employee-oriented marketing activities, corporate strategies and organizational culture, or the personality traits of job candidates that can be assessed in the recruitment process. The support of employee development, loyalty programs or activities integrating teams of employees can play a key role. Another important factor is the proper termination of cooperation with an employee who, having good reputation of the organization, may, in the future, re-start cooperation performing similar or other professional activities, even based on flexible employment forms (Bukowska & Gajda, 2009, p. 64).

Conclusions

The analyses of relationships conducted during research indicated the key conclusions in terms of the relationship between employee loyalty in the organization and the form of employment and they also showed statistically significant differences in this area. A majority of the respondents believed (this concerned, above all, people working under an indefinite duration employment contract) that the form of employment influences loyalty to the employer; a majority also rated the degree of their own loyalty to the employer high. Employees working under an indefinite duration employ-

ment contract rated the impact of the current form of employment on loyalty to the employer higher than people that have a fixed-term employment contract. In addition, people who have an indefinite duration employment contract rated the degree of their own loyalty to the employer higher than people that have a fixed-term employment contract.

People that work on the basis of less stable forms of employment may be less loyal to organizations than those employed on the basis of more stable forms. However, it should be remembered that all employees, regardless of the form of employment, ensure that the organization achieves the goals set. The basis of the above assumptions is the belief in the potential inherent in each employee. Therefore, the organization — wanting to shape the loyal attitudes of employees — can use a number of other factors that may determine loyal behavior.

Although research results cannot provide the basis for generalizing them for the entire population, they are a contribution to further, more in-depth research in this area, especially in the area of using and creating other forms of employee loyalty in the era of flexible organizations.

The research conducted implies that managers should consider the issue of inspiring loyalty also of those employees that work in the organization on the basis of flexible forms of employment, i.e., a contract of mandate. Building a database of loyal employees and associates of an organization can be one of the important elements of developing the competitiveness of an organization in a modern, flexible market.

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Annex

Table 1. Influence of the current form of employment on employee loyalty to the employer in the opinion of the respondents

Work aspect	Degree of influence										M	SD
	1		2		3		4		5			
	N	% of total	N	% of total	N	% of total	N	% of total	N	% of total		
Loyalty to the employer	242	42.53	174	30.58	8	1.41	78	13.71	67	11.78	2.22	1.42

Note: 1 High degree of influence; 2 Rather high degree of influence; 3 I do not know; 4 Rather low degree of influence; 5 Low degree of influence; M Mean; SD Standard deviation

Table 2. Current form of employment and the assessment of the degree of influence of the current form of employment on loyalty to the employer in the opinion of the respondents

Work aspect	Current form of employment	M	SD	K-W test result	Level of significance
Loyalty to the employer	Indefinite duration employment contract	1.92	1.29	41.94	<0.001
	Fixed-term employment contract	2.58	1.44		
	Contract of mandate	2.68	1.39		
	Contract for specific work	2.33	1.37		
	Self-employment	2.66	1.66		

Note: M Mean, SD Standard deviation

Table 3. Assessment of the degree of loyalty to the employer according to the people surveyed

Work aspect	Degree										M	SD
	1		2		3		4		5			
	N	% of total	N	% of total	N	% of total	N	% of total	N	% of total		
My loyalty to my employer	239	42.00	229	40.25	7	1.23	69	12.13	25	4.39	1.97	1.15

Note: 1 High degree of influence; 2 Rather high degree of influence; 3 I do not know; 4 Rather low degree of influence; 5 Low degree of influence; M Mean; SD Standard deviation

Table 4. Current form of employment and the assessment of the degree of self-loyalty to the employer according to the respondents

Work aspect	Current form of employment	M	SD	K-W test result	Level of significance
My loyalty to the employer	Indefinite duration employment contract	1.69	0.91	43.63	<0.001
	Fixed-term employment contract	2.45	1.34		
	Contract of mandate	2.36	1.39		
	Contract for specific work	2.50	1.64		
	Self-employment	2.00	1.14		

Note: M Mean, SD Standard deviation

Table 5. Distribution and descriptive statistics for the degree to which the respondents agree with the statement about loyalty of flexible employees to the organization

Statement	Degree of compliance										M	SD
	1		2		3		4		5			
	N	% of total	N	% of total	N	% of total	N	% of total	N	% of total		
Flexible employees are less loyal to the employer than employees working under an indefinite duration employment contract	98	17.22	208	36.56	117	20.56	112	19.68	34	5.98	2.61	1.16

Note: 1 High degree of influence; 2 Rather high degree of influence; 3 I do not know; 4 Rather low degree of influence; 5 Low degree of influence; M Mean; SD Standard deviation