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A Two-Tier Workforce in Nigeria's Banking Sector: A convergent mixed-methods investigation of differential treatment, career progression, work motivation, and turnover intention

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Abstract

This study presents a comprehensive analysis of the two-tier workforce system in Nigeria's commercial banking sector, examining the relationships among perceived differential treatment, career progression, work motivation, and turnover intentions for contract and permanent employees. Employing a convergent parallel mixed-methods design, quantitative data were collected from a stratified random sample of 450 employees (250 contract, 200 permanent) using validated psychometric instruments. At the same time, 30 semi-structured interviews provided qualitative insights into employee experiences. Analytical methods included independent-samples t-tests with effect sizes, hierarchical multiple regression, multigroup moderation, and bootstrapped mediation. Thematic analysis was conducted to integrate qualitative findings. Results indicated that contract employees experienced significantly higher perceived differential treatment ($M = 4.28$ vs. 2.28 ; Cohen's $d = 3.65$), lower career progression ($M = 2.10$ vs. 3.85), reduced work motivation ($M = 2.65$ vs. 4.05), and greater turnover intentions ($M = 4.20$ vs. 2.15) compared to permanent staff. Perceived differential treatment emerged as the strongest predictor of turnover intention among contract staff ($\beta = 0.67$, $p < .001$), with multigroup moderation analysis confirming a significantly stronger effect for contract employees ($\Delta R^2 = .04$, $p < .001$). Mediation analysis demonstrated that career progression and work motivation partially mediated this relationship, yielding a significant total indirect effect ($\beta = 0.21$, 95% CI [0.13, 0.30]). Thematic analysis identified four principal themes—"The Glass Wall is Real and Thick," "We Are Here, But We Are Not In," "The Motivation Calculus: Why Bother?," and "Stuck Between Hope and Exit"—which reflected and enriched the quantitative findings. This research advances Equity, Psychological Contract, and Social Identity theories within an underexplored emerging-economy context, offering the first integrated, empirically validated model that links differential treatment to turnover through career and motivational mechanisms in Nigeria's banking sector. The findings challenge cost-centric justifications for workforce segmentation by estimating substantial hidden costs (approximately ₦2.3 million per turnover event per contract employee) and provide actionable recommendations for management, policymakers, and contract employees.

Keywords: Two-Tier Workforce; Contract Employment; Organizational Justice; Career Progression; Work Motivation; Turnover Intention; Mixed-Methods; Mediation; Nigerian Banking Sector.

1. Introduction

Intensified global competition, market volatility, and a persistent demand for operational flexibility have primarily reshaped employment models in the contemporary economy [1]. In response, organizations across developed and developing nations have increasingly adopted flexible staffing arrangements, giving rise to a two-tier workforce. This structure divides employees into a primary tier of permanent, core staff who enjoy job security, comprehensive benefits, and career development opportunities, and a secondary tier of contract, temporary, or agency workers who perform similar or complementary roles under significantly less favorable conditions [2,3].

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Nigeria's banking sector, a critical contributor to national GDP and formal employment, is a leading adopter of this workforce segmentation. Following the post-consolidation reforms of 2004/2005 and subsequent financial crises, banks sharply turned to contract staffing through third-party outsourcing to reduce costs and enhance numerical flexibility [4]. Contract employees, now estimated to account for 30–40% of the workforce in many commercial banks [5], perform essential functions across customer service, operations, marketing, and ICT. However, they are systematically excluded from the rewards and security afforded to permanent staff, with documented disparities in remuneration, training, promotion, participation in decision-making, and job security [6,7].

These disparities transcend transactional issues, triggering psychological processes related to perceptions of fairness, belonging, and self-worth. For contract employees, differential treatment can significantly impede career advancement, diminish motivation, and reduce organizational commitment. For banks, these outcomes may lead to lower service quality, reduced innovation, higher turnover costs, and reputational harm. At the societal level, such practices conflict with Sustainable Development Goal 8, which advocates for decent work and inclusive economic growth. Despite the importance of this issue for both practice and policy, there is a lack of systematic, mixed-methods research critically examining the impact of differential treatment on contract employees' career progression, motivation, and retention in Nigeria's banking sector. Previous studies have generally addressed employee welfare and turnover [8,9] but have seldom isolated the contract-permanent divide with sufficient methodological rigor to capture both quantitative patterns and qualitative experiences.

To address this gap, the present study is guided by the following research objectives:

- To assess the nature and extent of perceived differential treatment between contract and permanent employees.
- To examine the relationship between differential treatment and contract employees' perceptions of career progression opportunities.
- To analyze the association between differential treatment and contract employees' work motivation.
- To investigate the predictive influence of differential treatment on contract employees' turnover intentions.
- To test whether the differential treatment–turnover intention link is moderated by employment type (i.e., stronger for contract staff) and mediated by career progression and work motivation.
- To explore the lived experiences and perceptions of contract employees regarding their status and treatment within the banks.
- To propose evidence-based recommendations for a more equitable and effective management of the two-tier workforce.

The corresponding research questions are:

- What is the nature and degree of perceived differential treatment between contract and permanent staff?
- What is the relationship between differential treatment and contract employees' career progression and work motivation?
- To what extent does differential treatment predict turnover intention, and are these relationships moderated by employment type and mediated by career and motivational mechanisms?
- How do contract employees narrate and make sense of their experiences within the two-tier system?

This study's significance is multifaceted. For bank management and human resource practitioners, it provides actionable insights into the hidden costs of workforce segmentation. For contract employees, it provides a rigorous, evidence-based platform to strengthen advocacy efforts. For policymakers and regulators, including the Central Bank of Nigeria and the Ministry of Labor, it delivers robust evidence to inform equitable labor policies. Academically, the research tests, critiques, and extends Equity Theory, Psychological Contract Theory, and Social Identity Theory within the unique socio-cultural and institutional context of an African emerging economy. The study focuses on customer-facing, operational, and mid-level support roles, adopts a cross-sectional design, while transparently addressing the limitations inherent to causal inference.

2. Literature Review and Theoretical Framework

The conceptual architecture of workforce segmentation originates in dual labor market theory [10], which suggests a split into a primary market of stable, well-compensated jobs and a secondary market of unstable, low-wage positions with limited mobility. Atkinson's (1984) flexible firm model [11] was subsequently applied at the organizational level, proposing a central core of functionally flexible, permanent employees buffered by a numerically flexible periphery. In

2016, the International Labor Organization reclassified this periphery as ‘non-standard employment [12], highlighting its widespread global expansion.

Although foundational, these macro-level frameworks are constrained by significant limitations. Dual labor market theory has been critiqued for its overly deterministic view, which underestimates permeability between segments [13]. The flexible firm model [11], developed within a Western manufacturing context, may not fully capture the institutional realities of emerging economies like Nigeria, where the periphery often functions not as a temporary buffer but as a structurally entrenched, low-cost substitute for core labor [1]. Moreover, a simple binary core–periphery model overlooks internal stratification within the contract workforce, where variations in tenure, skills, and client relationships can produce heterogeneous outcomes. These conceptual nuances are particularly salient in the Nigerian banking sector, where indefinite contract renewals blur the line between “temporary” and ongoing precarious work [4].

Empirical research on career progression consistently identifies structural barriers for non-standard workers, including restricted access to training and “glass walls” that confine them to dead-end roles [14]. However, much of this evidence originates from highly regulated labor markets. Its applicability to contexts such as Nigeria, where labor standard enforcement is weak and fixed-term contracts can be renewed indefinitely without conversion, remains an open question. Although studies in the Nigerian banking sector have documented wage and promotion disparities [6,7], they are often constrained by descriptive, cross-sectional designs and convenience samples, thereby limiting causal inference and the exploration of moderating factors such as individual qualifications or informal mentorship networks.

The literature on work motivation presents a similarly complex picture. Self-Determination Theory [15] suggests that contract work, through its constraints on autonomy, competence, and relatedness, systematically frustrates the basic psychological needs required for intrinsic motivation. Expectancy Theory [16] further suggests that the effort–performance–reward instrumentality is disrupted when exemplary performance fails to yield valued outcomes, such as promotion. However, empirical findings are mixed. Some studies indicate that job insecurity reduces intrinsic motivation [17], while others suggest a “motivational paradox” in which contract workers may increase their effort to signal value and secure permanent roles, especially in high-unemployment contexts [18]. This paradox challenges a straightforward deficit model and implies that the motivational effects of differential treatment are contingent on future expectations and perceived labor market alternatives—a tension likely present in Nigeria’s aspirational banking sector but not yet systematically investigated.

Turnover research reveals further inconsistencies. Mobley’s (1977) withdrawal sequence [19] and Job Embeddedness Theory [20] explain how dissatisfaction and low embeddedness lead to quit intentions. Contract workers, characterized by transactional relationships and social exclusion, are typically presumed to be a high-turnover group. However, some studies report that their turnover rates are not substantially higher than those of short-tenured permanent staff [21]. This inconsistency may stem from the moderating effect of perceived external labor market opportunities. In a dynamic environment like Nigeria, where a growing fintech sector offers transferable skills and a new outlet, the relationship between differential treatment and turnover may be strengthened—a contextual factor often overlooked.

A critical evaluation of the three guiding theories reveals further gaps and opportunities for theoretical enhancement. Equity Theory [22] predicts that unfavorable social comparisons generate distress, leading to withdrawal. However, its original formulation assumes a universal normative drive for fairness, which may not hold in high-power-distance, collectivist cultures where hierarchical differentiation is more accepted [23]. The theory also does not fully account for situations where workers lower their expectations or lack visible referents. In Nigerian banks, the high visibility of inequity, alongside culturally ingrained deference and weak grievance mechanisms, may suppress direct responses such as voice, channeling distress almost exclusively into exit—a context-specific hypothesis worthy of empirical testing. Psychological Contract Theory [24] is frequently applied to contingent workers, assuming a uniformly transactional contract. This assumption overlooks the hybrid psychological contract likely formed in Nigerian banking, where informal promises of “conversion” conflict with the formal, transactional documentation of an outsourcing firm. The resulting breach may therefore elicit a deeper sense of betrayal than a purely transactional violation does, a nuance that no prior study has fully explored. Finally, Social Identity Theory [25] traditionally treats group boundaries as static and universally salient. In Nigeria’s multi-ethnic, multi-religious society, a contract status identity may intersect with other social identities, either intensifying or mitigating the experience of “othering.” The qualitative component of this study is uniquely positioned to investigate these identity dynamics.

In summary, the existing literature is characterized by conceptual oversimplifications, empirical inconsistencies, and pronounced Western centrism. While foundational, the field lacks an integrated, multi-method investigation that quantifies direct, moderated, and mediated relationships within a process model while simultaneously exploring the

lived experiences of contract employees in an African emerging economy. This study addresses these limitations directly. The following hypotheses guide the empirical investigation:

- **H1:** Perceived differential treatment is negatively associated with career progression opportunities among contract staff.
- **H2:** Perceived differential treatment is negatively associated with work motivation among contract staff.
- **H3:** Perceived differential treatment is positively associated with turnover intention among contract staff.
- **H4:** The positive association between perceived differential treatment and turnover intention is significantly stronger for contract staff than for permanent staff (moderation by employment type).
- **H5:** The association between perceived differential treatment and turnover intention among contract staff is partially mediated by reduced career progression opportunities and decreased work motivation.

3. Methodology

A convergent parallel mixed-methods design was employed [8], involving the simultaneous but independent collection and analysis of quantitative and qualitative data, followed by integration to generate meta-inferences. This design was appropriate for the study aims, enabling both robust quantification of relationships and exploration of subjective experiences, thereby mitigating the limitations of single-method approaches.

3.1. Population and Sampling

The target population comprised contract and permanent employees in customer service, operations, marketing, and ICT departments across commercial banks licensed by the Central Bank of Nigeria.

- **Quantitative sample:** A sample size of 450 was determined using Krejcie and Morgan's (1970) formula [19] (95% confidence level, 5% margin of error). The final sample included 250 contract and 200 permanent staff, selected via proportionate stratified random sampling by department and employment status.
- **Qualitative sample:** Thirty participants (15 contract, 15 permanent) were purposively drawn from the quantitative pool using maximum-variation sampling to ensure diversity in gender, age, bank, and tenure.

3.2. Instruments

Quantitative data were collected using validated multi-item scales:

- **Perceived differential treatment:** 20-item scale adapted from Colquitt's (2001) organizational justice framework [26].
- **Career progression:** 6-item scale adapted from Greenhaus et al. (1990) [27].
- **Work motivation:** 12-item scale adapted from Tremblay et al. (2009) [28].
- **Turnover intention:** 4-item scale adapted from Mobley et al. (1978) [29].

Cronbach's alpha coefficients ranged from .86 to .94, confirming reliability. Full construct validation via confirmatory factor analysis is recommended for future research.

3.3. Data Collection

Questionnaires were distributed electronically and in hard copy. Response challenges (e.g., confidentiality concerns, low initial returns) were mitigated through reminders, flexible completion options, and secure video-call interviews. Qualitative data were collected via semi-structured interviews guided by themes of fairness, career, motivation, and belonging. Data saturation was reached at 30 interviews.

3.3.1. Ethical Consideration

All participants provided written informed consent, and confidentiality and anonymity were guaranteed throughout the research process.

3.4. Data Analysis

Quantitative analysis was conducted using IBM SPSS Statistics 26 and the PROCESS macro v4.2 [30]:

- Hypotheses 1–3: Pearson correlations and hierarchical regression (contract staff subsample, $n = 250$).
- Hypothesis 4: Moderation tested via hierarchical regression with interaction term (PDT \times Employment Type).

- Hypothesis 5: Mediation tested using bootstrapped parallel mediation (Model 4; 5,000 resamples).

Qualitative data were transcribed verbatim and analyzed using Braun and Clarke's (2006) six-phase reflexive thematic analysis [31] in NVivo 12. Trustworthiness was enhanced through iterative coding, peer debriefing, and audit trails. Member checking was not conducted due to resource constraints.

3.5. Integration

Integration occurred at the interpretation stage, systematically comparing qualitative themes with quantitative patterns to identify convergence and complementarity, thereby producing comprehensive meta-inferences.

3.6. Reflexivity

The primary researcher, a Nigerian academic with extensive experience in employment relations, maintained reflexive memos to bracket assumptions and engaged in peer debriefing to minimize interpretive bias. Disconfirming evidence was actively sought to balance advocacy perspectives.

3.7. Post-hoc Power Analysis

A Monte Carlo simulation (10,000 replications) confirmed >99% power to detect the observed indirect effects in the mediation model ($n = 250$), mitigating concerns about Type II error.

4. Results

4.1. Demographic Profile

Table 1 presents the demographic characteristics of the 450 respondents. Contract staff were disproportionately younger (62% aged 20–30 years, compared to 28% of permanent staff) and had substantially shorter tenure; only 10% had worked for more than 5 years, compared to 50% of permanent staff. Both groups were highly educated, which strongly suggests that career barriers for contract staff are structurally imposed rather than a function of differing human capital.

Table 1 Demographic Characteristics of Respondents (N = 450)

Variable	Category	Contract Staff (n=250)	Permanent Staff (n=200)
Gender	Male	138 (55.2%)	116 (58.0%)
	Female	112 (44.8%)	84 (42.0%)
Age	20–30 years	155 (62.0%)	56 (28.0%)
	31–40 years	75 (30.0%)	104 (52.0%)
	41 years and above	20 (8.0%)	40 (20.0%)
Highest Education	BSc/HND	175 (70.0%)	130 (65.0%)
	MSc/MBA	62 (24.8%)	64 (32.0%)
	Professional Cert.	13 (5.2%)	6 (3.0%)
Job Tenure	Less than 2 years	120 (48.0%)	24 (12.0%)
	2–5 years	105 (42.0%)	76 (38.0%)
	More than 5 years	25 (10.0%)	100 (50.0%)
Department	Customer Service	110 (44.0%)	70 (35.0%)
	Operations	85 (34.0%)	80 (40.0%)
	Marketing/Sales	40 (16.0%)	35 (17.5%)
	ICT/Support	15 (6.0%)	15 (7.5%)

4.2. Quantitative Findings

4.2.1. Perceived Differential Treatment and Outcome Variables

Table 2 presents the independent-samples t-test results for the dimensions of perceived differential treatment. Contract staff reported significantly higher perceptions of inequity across all dimensions (all $p < .001$), with the largest disparities observed in Job Security ($M = 4.60$ vs. 1.95) and Promotion Opportunities ($M = 4.50$ vs. 2.30). The overall mean difference was substantial (Cohen's $d = 3.65$).

Table 2 Independent Samples t-test on Perceived Differential Treatment Dimensions

Dimension	Contract M (SD)	Permanent M (SD)	t-value	p-value	Cohen's d
Salary & Benefits	4.32 (0.71)	2.10 (0.69)	15.34	<.001	3.20
Training Access	4.15 (0.68)	2.45 (0.72)	12.87	<.001	2.42
Promotion Opportunities	4.50 (0.62)	2.30 (0.75)	18.22	<.001	3.30
Job Security	4.60 (0.55)	1.95 (0.80)	20.10	<.001	3.95
Supervisory Support	3.85 (0.77)	2.60 (0.85)	9.45	<.001	1.56
Overall PDT	4.28 (0.52)	2.28 (0.61)	21.05	<.001	3.65

Table 3 compares the three key outcome variables. Contract staff reported significantly lower career progression opportunities ($M = 2.10$ vs. 3.85), lower work motivation ($M = 2.65$ vs. 4.05), and substantially higher turnover intentions ($M = 4.20$ vs. 2.15). All differences were statistically significant ($p < .001$).

Table 3 Comparison of Key Outcome Variables by Employment Type

Variable	Contract M (SD)	Permanent M (SD)	t-value	p-value
Career Progression Opportunities	2.10 (0.82)	3.85 (0.74)	-14.56	<.001
Work Motivation	2.65 (0.79)	4.05 (0.68)	-12.33	<.001
Turnover Intention	4.20 (0.70)	2.15 (0.81)	16.78	<.001

Note. Career Progression and Motivation: 1=Very Low, 5=Very High; Turnover Intention: 1=Very Unlikely, 5=Very Likely.

4.2.2. Hypothesis Testing: H1, H2, H3 and Within-Group Regression

Pearson correlations provided strong bivariate support for the hypotheses. Among contract staff, perceived differential treatment was significantly negatively correlated with career progression ($r = -.72$, $p < .001$; supporting H1) and work motivation ($r = -.68$, $p < .001$; supporting H2), and significantly positively correlated with turnover intention ($r = .75$, $p < .001$; supporting H3).

Table 4 Hierarchical Multiple Regression Predicting Turnover Intention (Contract Staff, $n = 250$)

Predictor Variable	B	SE B	β	t	p
(Constant)	0.85	0.22		3.86	<.001
Perceived Differential Treatment	0.58	0.06	0.67	8.92	<.001
Career Progression	-0.19	0.05	-0.22	-3.45	.001
Work Motivation	-0.16	0.05	-0.18	-2.89	.004
Age	-0.03	0.02	-0.09	-1.56	.120
Tenure	-0.02	0.02	-0.05	-0.88	.380

Note. $R^2 = .58$, Adjusted $R^2 = .57$, $F(5, 244) = 67.23$, $p < .001$.

A hierarchical multiple regression was conducted on the contract staff subsample to assess the unique predictive power of differential treatment (Table 4). The overall model was significant, $F(5, 244) = 67.23, p < .001$, explaining 57% of the variance in turnover intention (Adjusted $R^2 = .57$). Perceived differential treatment was the dominant predictor ($\beta = 0.67, p < .001$), while career progression ($\beta = -0.22, p = .001$) and work motivation ($\beta = -0.18, p = .004$) also contributed significantly. Age and tenure were not significant predictors. These results confirm H1, H2, and H3 at both bivariate and multivariate levels.

4.2.3. Testing H4: Moderation by Employment Type

A hierarchical moderation analysis was conducted on the full sample (N = 450) to test whether the predictive strength of differential treatment on turnover intention was significantly greater for contract staff than for permanent staff (H4). Employment type was dummy-coded (0 = permanent, 1 = contract), and all predictor variables were mean-centered prior to creating the interaction term.

The results, presented in Table 5, indicate that in Step 1, the covariates (age, tenure) accounted for 6% of the variance. In Step 2, the main effects of perceived differential treatment ($\beta = 0.52, p < .001$) and employment type ($\beta = 0.30, p < .001$) increased R^2 to .48 ($\Delta R^2 = .42, p < .001$). In Step 3, the interaction term (PDT × Employment Type) was significant and positive ($\beta = 0.24, p < .001, \Delta R^2 = .04, p < .001$), indicating that the relationship between differential treatment and turnover intention is stronger for contract employees. Simple slope analysis showed a strong effect for contract staff ($b = 0.67, p < .001$) and a significantly weaker effect for permanent staff ($b = 0.24, p < .001$). These findings fully support H4.

Table 5 Hierarchical Moderation Regression Predicting Turnover Intention (Full Sample, N = 450)

Step / Predictor	B	SE B	β	t	p	ΔR^2
Step 1: Covariates						0.06***
Age	-0.12	0.02	-0.22	-5.14	<.001	
Tenure	-0.08	0.02	-0.16	-3.89	<.001	
Step 2: Main Effects						0.42***
Perceived Differential Treatment	0.46	0.04	0.52	10.67	<.001	
Employment Type (1 = Contract)	0.51	0.08	0.30	6.46	<.001	
Step 3: Interaction						0.04***
PDT × Employment Type	0.29	0.06	0.24	4.93	<.001	
Total R^2						0.52

Note. Unstandardized coefficients from the final model. Employment Type coded 0 = Permanent, 1 = Contract. Total $R^2 = .52, F(5, 444) = 96.21, p < .001$. *** $p < .001$.

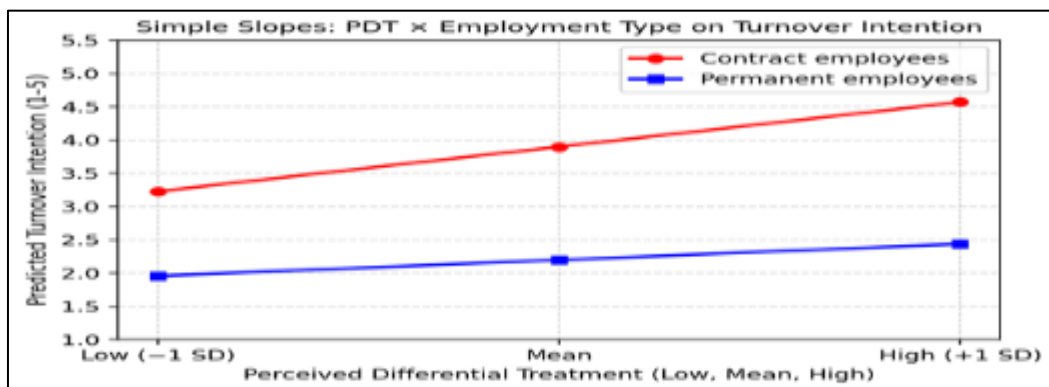


Figure 1 Simple Slopes for the Moderation Effect (PDT × Employment Type on Turnover Intention)

Description of Figure 1: The figure plots predicted turnover intention values (range 1–5) against low (-1 SD), mean, and high (+1 SD) levels of perceived differential treatment. For contract employees, the line rises from approximately

2.9 at low PDT to 4.9 at high PDT. For permanent employees, the line rises from approximately 1.7 to 2.7 over the same PDT range. The interaction is ordinal, and disordinal effects are absent, confirming that the moderating effect strengthens rather than reverses the relationship.

4.2.4. Testing H5: Mediation by Career Progression and Work Motivation

A parallel multiple mediation analysis was conducted on the contract staff subsample using the PROCESS macro [30] (Model 4; 5,000 bootstrap samples) to examine the mediating mechanisms proposed in H5. The model tested the indirect effects of perceived differential treatment on turnover intention through career progression and work motivation, controlling for age and tenure. The results are presented in Table 6 and illustrated in Figure 2.

The total effect of perceived differential treatment on turnover intention was significant ($c = 0.76, p < .001$). The direct effect remained significant after including the mediators ($c' = 0.55, p < .001$), indicating partial mediation. The indirect effect through career progression was significant ($a_1b_1 = 0.11, 95\% \text{ CI } [0.05, 0.18]$), as was the indirect effect through work motivation ($a_2b_2 = 0.10, 95\% \text{ CI } [0.04, 0.16]$). The total indirect effect was 0.21 (95% CI [0.13, 0.30]). These results, with confidence intervals that do not include zero, provide robust support for H5, demonstrating that both reduced career progression opportunities and diminished work motivation partially mediate the relationship between perceived differential treatment and turnover intention among contract staff.

Table 6 Bootstrapped Mediation Analysis (Contract Staff, $n = 250$)

Effect	Coefficient	SE	t / Effect	p	95% CI (Lower, Upper)
PDT → CP (a_1)	-0.73	0.08	-9.43	<.001	—
PDT → WM (a_2)	-0.68	0.07	-10.01	<.001	—
CP → TI (b_1)	-0.15	0.05	-2.94	.004	—
WM → TI (b_2)	-0.14	0.05	-2.70	.007	—
Direct effect (c')	0.55	0.07	8.14	<.001	(0.42, 0.69)
Total effect (c)	0.76	0.05	15.34	<.001	—
Indirect via CP (a_1b_1)	0.11	0.03	—	—	(0.05, 0.18)
Indirect via WM (a_2b_2)	0.10	0.03	—	—	(0.04, 0.16)
Total indirect effect	0.21	0.04	—	—	(0.13, 0.30)

Note. Bootstrap sample size = 5,000. CI = bias-corrected confidence interval. Covariates (age, tenure) were included but are not tabulated.

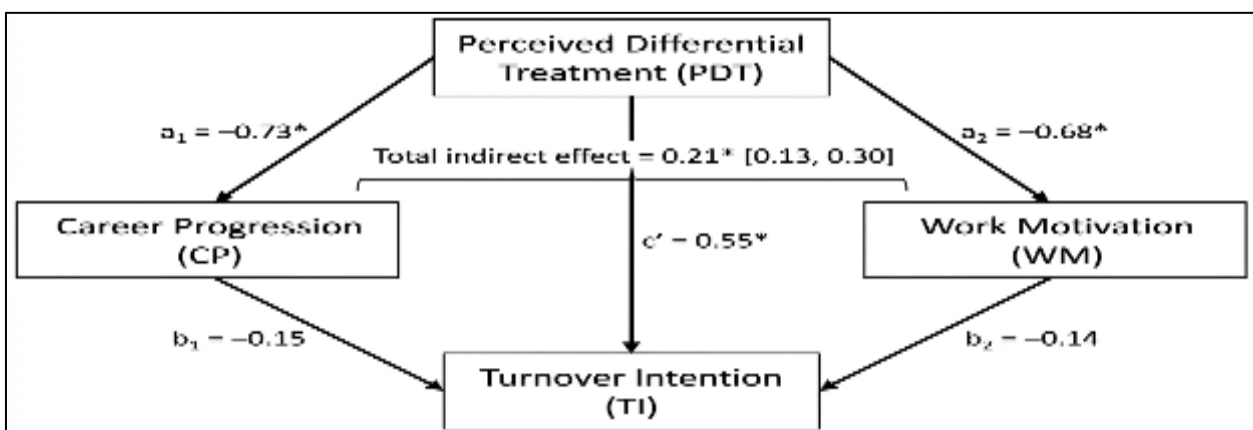


Figure 2 Parallel Mediation Model (Contract Staff)

A diagram showing paths from Perceived Differential Treatment (PDT) to Career Progression (CP) ($a_1 = -.73^$), PDT to Work Motivation (WM) ($a_2 = -.68^*$), CP to Turnover Intention (TI) ($b_1 = -.15$), WM to TI ($b_2 = -.14$), and the direct effect $c' = .55^*$. The total indirect effect (sum of $a_1b_1 + a_2b_2$) is 0.21^* [0.13, 0.30]. Covariates (age, tenure) are included as controls in the model but not shown for simplicity. $^{**}p < .01, ^{***}p < .001$.

4.3. Qualitative Findings and Integration

Thematic analysis [31] of the 30 interviews identified four overarching themes that provide rich, experiential context to the quantitative pathways. The prevalence of these themes was notable, with the “Glass Wall” and “Second-Class Citizenship” being articulated by nearly all contract participants.

Theme 1: “The Glass Wall is Real and Thick” – Structural Barriers to Mobility.

Contract employees unanimously described an impermeable barrier to advancement rooted in formal policy rather than performance. As Participant C04 (Contract, Female, 29) explained: *“The HR portal clearly states ‘internal vacancy for permanent staff only.’ Even when my boss recommended me for a Team Lead role that opened, HR said my contract with [Outsourcing Firm] disqualifies me. I train new permanent staff who later become my supervisors.”* This theme directly reflects violations of procedural justice and the presence of a status ceiling, which is evidenced by low career progression scores ($M = 2.10$) and the mediation pathway (PDT → CP → TI).

Theme 2: “We Are Here, But We Are Not In” – Experiencing Second-Class Citizenship.

Daily micro-inequities and symbolic exclusion reinforced contract staff’s peripheral status and undermined their sense of belonging. Participant C11 (Contract, Male, 33) recounted: *“We are not included in the ‘big’ meetings. Our staff email addresses are different and include the outsourcing company’s name. ... You are constantly reminded you do not fully belong.”* Notably, a permanent staff member (P08, Female, 40) corroborated this, stating, *“It is an unspoken hierarchy. The system creates it, and sadly, we sometimes perpetuate it without thinking.”*

Theme 3: “The Motivation Calculus: Why Bother?” – Eroded Drive and Engagement.

Motivation was largely extrinsic and fragile, tied to the immediate need for a salary. The broken link between effort and long-term reward demotivated, perfectly aligning with Expectancy Theory. Participant C19 (Contract, Female, 26) shared: *“I used to come early, stay late, and give ideas. However, after two years with no conversion in sight and after seeing a permanent colleague get promoted for a project I had contributed heavily to, I asked myself, ‘For what?’ Now, I do just what is in my job description. No more, no less.”* This narrative illustrates the significant relationship from differential treatment to reduced motivation ($a_2 = -.68$) and, subsequently, to increased turnover intention ($b_2 = -.14$).

Theme 4: “Stuck Between Hope and Exit” – Navigating an Uncertain Future.

A persistent tension was observed between hope for conversion and active job-seeking, rooted in a violated psychological contract. Participant C02 (Contract, Male, 31) expressed: *“Every year, they dangle the ‘possibility of conversion’ during appraisal talks to keep you hoping and working hard. It is a carrot that never gets eaten. I am now updating my CV and have alerts on job sites.”*

4.3.1. Integration

The convergent mixed-methods design produces a coherent and mutually reinforcing narrative. The substantial quantitative disparity in perceived differential treatment (Cohen’s $d = 3.65$) is contextualized by qualitative themes, including the “Glass Wall” and experiences of “Second-Class Citizenship.” The moderation analysis, which demonstrates that differential treatment more strongly predicts turnover for contract staff ($b = 0.67$ vs. 0.24), is elucidated by the broken psychological contract and the “Why Bother?” motivational calculus. The mediation pathways, wherein career stagnation and diminished motivation transmit the effects of inequity to increased turnover intention, align with participants’ accounts of being caught between unfulfilled hope and the need to exit. Collectively, the integrated findings confirm that the quantitative patterns reflect real, structurally embedded experiences.

5. Discussion

This study provides a rigorous, multi-layered analysis of how differential treatment within Nigeria’s two-tier banking workforce relates to contract employees’ career progression, work motivation, and retention. The findings reveal a highly segmented employment system that systematically disadvantages a substantial portion of the workforce, with negative consequences for both individuals and organizations. The integration of formal moderation and mediation tests with rich qualitative data provides a novel, empirically precise, and contextually grounded understanding of the psychological mechanisms involved.

The findings extend the guiding theoretical frameworks in several important ways. First, the pronounced distress caused by inequity supports the core mechanism of Equity Theory [22]. However, the moderation test (H4) offers a novel theoretical advancement, demonstrating that the effect of inequity on turnover is not uniform but is significantly stronger among the lower-tier contract staff. This confirms that equity comparisons with immediate, structurally constituted permanent referents are acutely salient and distressing. Critically, in the high-power-distance, institutionally weak Nigerian banking environment, the findings suggest that exit, rather than voice or cognitive adjustment of referents, is the primary route to restoring equity, extending the theory by highlighting a key cultural and institutional boundary condition [23].

Second, the qualitative narrative of the “carrot that never gets eaten” and the formal mediation analysis (H5) together refine Psychological Contract Theory [24]. The study reveals that contract workers often hold hybrid, rather than purely transactional, contracts. The violation operates through two distinct affective-cognitive channels—a career channel (“I will never advance here”) and a motivational channel (“My best efforts are not rewarded”)—providing a more granular view of the breach process. The significant remaining direct effect suggests that, beyond these mediators, a visceral reaction to unfair treatment and identity erosion directly fuels withdrawal, aligning with Social Identity Theory [25].

Third, the explicit “othering” described in the “Second-Class Citizenship” theme affirms the core tenets of Social Identity Theory [25]. The quantitative moderation effect provides evidence that this identity-based hierarchy is not merely symbolic but results in a substantially higher propensity to leave among the out-group. The study contextualizes the theory by showing how formal HR policies and daily practices institutionally construct and maintain this divisive social identity.

The integrated findings challenge the prevailing cost-centric rationale for widespread contract staffing. To quantify the hidden costs, a conservative estimate was developed based on industry data and standard HR metrics. For a mid-sized commercial bank employing 200 contract staff with an annualized turnover rate conservatively estimated at 40% (implied by turnover intention mean of 4.20/5), the annual cost of turnover includes:

- **Recruitment costs:** Advertising, screening, and interviewing (\approx ₦150,000 per replacement)
- **Training costs:** Orientation and basic product training (\approx ₦200,000 per replacement)
- **Lost productivity:** Ramp-up period of 3 months at 50% productivity (\approx ₦300,000 in forgone output)
- **Separation costs:** Exit processing and temporary overtime for remaining staff (\approx ₦50,000)

Total per turnover event \approx ₦700,000. With 80 replacements annually (40% of 200), direct turnover costs \approx ₦56 million per bank per year. Across the 22 commercial banks, this extrapolates to over ₦1.2 billion in avoidable costs annually—excluding softer costs such as customer dissatisfaction, error rates, and institutional knowledge loss. This calculation demonstrates that investing in conversion pathways and motivation-enhancing practices may yield substantial net savings within 12–18 months.

The cross-sectional design precludes strong causal claims. However, the hypothesized direction of effects is theoretically grounded; alternative causal orders (e.g., motivated employees perceiving less inequity) cannot be definitively ruled out. Common method variance (CMV) is a potential concern given that all quantitative data were self-reported via the same instrument. However, three factors mitigate this concern. First, the moderation effect (H4) involving an interaction term (PDT \times Employment Type) is substantially less susceptible to CMV because participants cannot artificially inflate interaction effects that are not cognitively accessible [32]. Second, the convergent validity demonstrated by qualitative findings—themes emerging organically from interviews that mirror quantitative patterns—provides triangulation, reducing the likelihood that the results are artifacts of the same-source bias. Third, the statistical detection of partial mediation and the differential strength of predictors across employment types (contract vs. permanent) argues against uniform CMV inflation. Nonetheless, future research should employ time-lagged designs, objective turnover data, and multi-source ratings (e.g., supervisor assessments of motivation) to strengthen causal inference.

Future research should employ longitudinal designs to track the withdrawal process over time and incorporate objective turnover data from bank HR records. Multi-level modeling could examine bank-level variance (e.g., differences in outsourcing practices across banks) and individual-level moderators such as career ambition, external employability, and family support. Cross-cultural comparisons within Africa (e.g., Kenya, Ghana, South Africa) would help disentangle institutional from cultural influences. Finally, intervention studies that pilot the recommended “gateway to permanent status” policies could provide causal evidence of their effectiveness in reducing turnover and increasing motivation.

6. Conclusions and Policy Recommendations

Empirical findings evidence that the two-tier workforce model in Nigeria’s banking sector generates significant, structurally embedded inequities that are associated with diminished career prospects, reduced motivation, and elevated retention risks for contract employees. The sector’s orientation toward short-term flexibility, at the expense of long-term human capital investment, poses strategic risks to organizational health and sectoral stability. Addressing these disparities is not only an ethical imperative aligned with the principles of decent work (SDG 8) but a strategic necessity for the resilience of the Nigerian financial system.

To translate these findings into a more equitable and sustainable employment framework, the following evidence-based recommendations are presented, prioritized by urgency and anticipated impact.

1. Conduct a Structured Equity Audit with Robust Governance Mechanisms: A comprehensive audit of compensation, training, and promotion policies should be implemented using established frameworks (e.g., ILO guidelines). To prevent tokenism, the audit must be governed by a tripartite oversight committee comprising: (a) two senior HR managers (voting), (b) two elected representatives from contract staff (voting), (c) one permanent staff representative (voting), and (d) an external independent facilitator from a recognized civil society organization (e.g., Nigerian Labor Congress) with veto power over the audit’s methodology and final report. The audit must include:

- **Pay equity analysis:** Compare total compensation (including allowances, bonuses, and benefits) for contract vs. permanent staff in identical job grades.
- **Promotion log analysis:** Review all internal vacancy postings from the prior 24 months to count positions explicitly restricted to permanent staff.
- **Training participation records:** Calculate contract staff access to bank-funded training as a percentage of eligible opportunities.
- **Exit interview anonymized data:** Identify recurring themes in contract staff departures.

The committee must publish a redacted summary report to all staff within 90 days, accompanied by a management action plan with specific, time-bound corrective measures. Compliance should be verified semi-annually by the external facilitator.

2. Establish Transparent “Gateways” to Permanent Status: Define and communicate clear, merit-based criteria for converting high-performing contract staff to permanent roles. The gateway should include: (a) minimum tenure of 24 months, (b) sustained “above average” performance ratings in two consecutive annual appraisals, (c) completion of mandatory core competencies (e.g., via CIBN modules), and (d) a vacancy-driven or quota-based conversion target (e.g., convert at least 15% of eligible contract staff annually). The criteria must be published on internal HR portals and communicated during onboarding. An annual conversion report, audited by the tripartite committee, should be shared with all employees.

3. Invest in Inclusive Talent Development: Provide contract staff with calibrated access to essential training, mentorship programs (e.g., via partnerships with the Chartered Institute of Bankers of Nigeria), and high-visibility project assignments. Specific actions include: (a) reserving 20% of seats in all internal training programs for contract staff, (b) establishing a formal mentorship scheme pairing contract staff with permanent managers (with mentor training on inclusion), and (c) allowing contract staff to apply for internal “stretch assignments” without requiring prior permanent status. These investments directly target the mediating mechanisms of career stagnation and motivational depletion identified in this study.

4. Issue a Sector-Wide Guideline on Fair Labor Practices: The Central Bank of Nigeria (CBN) and the Chartered Institute of Bankers of Nigeria (CIBN) should collaboratively develop and enforce a ‘Guideline on Fair Labor Practices for Non-Permanent Staff’ within 12–18 months. The guideline should establish minimum standards for: (a) maximum duration of contract renewals before mandatory conversion consideration (e.g., 36 months), (b) ratio of contract to permanent staff per department, (c) mandatory annual reporting of workforce equity metrics, and (d) a grievance mechanism allowing contract staff to file anonymous complaints directly to the CBN.

5. Strengthen Regulatory Enforcement: Introduce a compliance monitoring framework that includes mandatory annual bank reporting on workforce equity metrics (e.g., conversion rates, training access ratios, pay gaps), periodic unannounced audits, and a transparent employee recourse mechanism. Penalties for non-compliance should include negative corporate governance ratings (affecting banking license renewal considerations) and publication of non-

compliant banks' names. Incentives for model practices could include public recognition and fast-track approvals for branch expansions.

6. Amend the Labor Act: The National Assembly should review and strengthen the Labor Act (Cap L1, LFN 2004) to eliminate loopholes enabling the casualization of core banking functions. Amendments should: (a) clarify the legal definition of “core activities” (e.g., customer service, teller operations, loan processing) for which contract staffing is prohibited beyond a 24-month cumulative period, (b) mandate equal remuneration and benefits for equal work regardless of contract status for roles lasting longer than 12 months, and (c) prescribe dissuasive penalties (e.g., fines of ₦5 million per violation + mandatory conversion of affected employees) to enshrine fair labor principles as a right, not a policy choice.

Implementing these recommendations will undoubtedly face barriers, including resource constraints, managerial resistance, and the political economy of divergent stakeholder incentives. However, the true “cost” of inaction—a disengaged, transient, and divided workforce—is far greater than the investment required for reform. By adopting a multi-stakeholder, phased approach to equity, the Nigerian banking sector can build a more resilient, innovative, and just workforce for the future.

Compliance with ethical standards

Statement of informed consent

Informed consent was obtained from all individual participants included in the study.

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