

The costs and benefits of 'non-standard' employment

The use of 'non-standard' employment patterns - such as part-time and fixed-term working - is now well-established. How far do such practices improve organisational efficiency and effectiveness and open up new opportunities to reconcile work and family life? Conversely, how far do they increase employment insecurity, labour market polarisation and exploitation of the most disadvantaged groups? Kate Purcell, of Bristol Business School, and Terence Hogarth and Claire Simm, of Warwick University, investigated the costs and benefits of different contractual and working arrangements for employers and employees in five sectors. They found:

- f** Some groups are more likely to benefit than others. Managerial, professional and clerical workers, particularly those with scarce expertise or skills, mainly experience a net benefit. For most manual and lower skilled workers, however, flexibility means insecurity and unpredictability, particularly where working patterns fluctuate according to consumer or employer demand.
- f** *Structured* flexibility provides opportunities for some groups who would otherwise be excluded from employment. Where flexible arrangements are structured and predictable - such as fixed part-time hours - employees are able to achieve patterns of work compatible with other responsibilities, such as childcare and study.
- f** Employers who most successfully balanced employees' needs with their own tended to take a 'segmented' approach to recruitment, targeting different groups within the workforce - older, younger, part-time or full-time job-seekers - for example, some hotels sought to employ students at times convenient for both parties.
- f** There were differences among the five sectors studied. In contrast to hotels and telecoms, which use temporary and part-time employees in response to fluctuations in demand, the finance and food manufacturing employers tended to use temporary employment either as 'careful recruitment' where longer-term future demand was unpredictable or to target particular 'short-term' labour market populations who sought only temporary work.
- f** On balance, employment flexibility had some costs for employers, but these were outweighed by the benefits. A significant proportion of the case study employers, however, reported high labour turnover, absenteeism, low commitment and poor employee performance; there was some evidence of a retreat from 'low commitment' flexibility.

Background

This study investigates flexible working arrangements from both employers' and employees' perspectives and compares flexibility deriving from 'non-standard' employment with the pursuit of greater flexibility from permanent full-time employees. In particular, it looks at how employers deploy labour to match production and service demands, the extent to which employment flexibility is structured or unstructured, and the implications of this.

The five case study sectors investigated have all been subject to considerable technological, market and organisational changes:

- hotels and catering and further education both have long-established traditions of 'non-standard' employment patterns;
- food manufacturing generally uses more non-standard employment than most areas of manufacturing;
- finance - faced with increasing competition requiring more flexible service provision - has increased its use of such working arrangements; and
- telecommunications, as a relatively new industry developing new kinds of jobs, also has a high incidence of flexible working arrangements.

Employers' approach

The study highlighted a number of different approaches which employers had adopted:

- Where organisations operated in highly competitive markets with labour costs forming a substantial component of product price - notably

further education colleges, call-centres in the banking and telecommunications industry and the cable-installation company - employers had clearly attempted to transfer the increasing market risk to the employee where feasible, by introducing non-standard contracts.

- In situations of collective employee power, where trade unions had exerted pressure to protect permanent and full-time jobs - such as in the food manufacturing, further education and banking sectors - employers had pursued greater flexibility within permanent employment contracts, by introducing new contracts requiring greater willingness to vary hours of work, annual hours working and the extension of 'standard' working hours to eliminate premium payments.
- Where employers had an equal opportunities commitment to family-friendly policies and also in situations of individual employee power where particular skills were at a premium - such as for highly-skilled telecommunications staff - employers had introduced more flexible working hours to attract and retain high quality employees.
- Some employers took an expedient response to product and labour market pressures as and when they arose, particularly in situations of labour scarcity. Most of the further education colleges and hotel and catering establishments provided examples of this. Both sectors preferred to employ a mixture of permanent and directly employed temporary staff, but used agencies and, in some cases, sub-contractors.

Examples of structured and unstructured flexibility

Structured, permanent: e.g. fixed part-time, where hours are organised to meet peaks and troughs in demand and cover a finite period at the same time each day and a constant number of hours per week.

Structured, temporary: e.g. a fixed-term contract with finite start and end dates, often covering a particular task or position where the permanent member of staff is absent for a fixed period, such as maternity leave.

Unstructured permanent: e.g. annualised working hours where employees are allocated a fixed total of hours over the year and the exact distribution of these hours is determined by different factors, such as the volume of work or the non-work commitments of the employee.

Unstructured temporary: e.g. casual employment where staff may work intermittently for the same employer for several years (as is the case in many hotels), but the employer has ultimately no commitment to offer them work nor has the employee any obligation to accept work offered. Thus the nature of the employment relationship remains highly tenuous and is limited only to the period of time for which the employee actually works. However, the introduction of the Working Hours Directive now forces employers to recognise that they have wider responsibilities towards such employees - notably, the requirement to provide, pro rata, holiday pay related to the hours they have worked for the organisation.

Source: Institute for Employment Research

Employers' perceptions

Employers recognised the benefits of building flexibility into the permanent contract of employment because it supplied them with a committed and loyal workforce able to adapt to fluctuations in demand.

In the production worker context, negotiating new flexibility often required time-consuming consultative processes which accrued costs.

Employers, however, were convinced that the benefits outweighed the costs.

In administrative, technical and professional occupations, a more informal type of flexibility tended to have developed, with tacit agreement between employers and employees of reciprocal working time flexibility. Employees' occasional needs to, say, leave work early would be agreed in implicit counterbalance to the expectation that the employee would stay late at some point to finish a piece of work.

Temporary or very unstructured employment contracts tended to suit firms requiring low-skilled workers. Employers deploying, for instance, zero hour contracts (where no guaranteed hours of work are specified) were able to transfer a large part of the risk attached to demand for their products or services to the employee. If there was no work, employees were not employed. There was evidence that some employers who had developed somewhat tenuous employment relationships with their employees but who were seeking to improve their product or service wanted to make the relationship between their staff and themselves more concrete, particularly in areas of skill shortages.

By and large, the more highly skilled employees were, the more likely it was that employers saw the costs of non-standard *contractual arrangements* as outweighing the benefits. They were therefore more likely to offer instead non-standard *working arrangements* or employee-friendly working within standard permanent contracts to attract such staff.

Fixed-term contracts were used where labour demand was unpredictable, and as 'cautious recruitment'. Where labour supply was plentiful, zero hours contracts were seen to have benefits which outweighed the costs, but only for a limited range of posts.

There was some evidence of a decrease in enthusiasm for 'low commitment' employment patterns primarily because of an inability to attract, retain or motivate such staff. Several organisations - for example, further education colleges, hotels and financial call-centres - had been moving to minimise their use of agency and temporary workers in the interests of improved employee performance and commitment.

Employees' perceptions

Occupation, skill level and, essentially, labour market power determined whether the costs outweighed the benefits of 'non-standard' arrangements for employees. The degree of structure involved in employment flexibility was closely correlated with employees' degree of satisfaction with working arrangements. Those staff with more influence over their hours, through flexi-time or annual hours systems, appeared to be happier with the organisation of working time and in particular the balance between work and home life.

For staff in higher level occupations, unstructured flexibility often entailed a willingness to work long hours 'as and when required' as part of the job. This countered equal opportunities commitments to 'family-friendly' flexibility in practice and raised important issues of psychological well-being. This was particularly the case for permanent employees in further education and hospitality. However, in the food sector, there were signs of management wanting to eliminate the long hours culture in favour of 'working smarter' - partly to attract able younger recruits of both sexes.

Shift working has been a traditional aspect of both hotel and food manufacturing sectors, although in very different forms, with a predominance of 'part-time' shifts in hotels to match daily peak times, compared with mainly full-time shift patterns in factories to cover 24-hour production schedules. In both cases, the general trend was for structured flexibility from both full- and part-time staff, which enabled employees to reconcile their work and outside commitments. Only where management expected changed hours at short notice did employees complain. Variable shifts and short-time working were particularly disliked.

The presence of more women within the food manufacturing companies had led to less formal overtime working. Some companies were experimenting with the idea of introducing more part-time shifts, matching them to production peaks, in order to attract female employees. Such practices were commonplace within both the hotel and finance sectors, where both structured flexibility and the informal flexibility sometimes required by parents are built into custom and practice.

Staff frequently perceived temporary employment as an effective 'way in' to permanent employment, which was often the case. However, in some cases staff contractually employed on a non-permanent basis had in fact been employed as 'temps' for several years by the same company, leading to a degree of frustration and resentment. Several organisations were in the process of shifting such staff onto a more structured

contractual footing (typically by offering them a fixed-term contract). There was concern that this might erode some of their employment rights accrued through long-standing continuous service.

Employee perceptions of the costs and benefits of different forms of contract varied greatly according to subjective considerations. For example, many software personnel aspired to doing contract work. For others, being employed on a short-term contract was deemed to have many more costs than benefits, including limited opportunity for career progression, low morale, and reduced access to employee benefits.

Conclusion

Highly flexible employment contracts suit those at the margins of the labour market; for example, students who staff hotels for part-time or weekend shifts which fit in with their study commitments. Such transient workers are likely to form an increasing fraction of the workforce in response to changes in higher education funding. In other examples, colleges of further education provided piecework contracts that allowed people to happily pursue one or more careers, such as musicians supplementing their income with some teaching work.

What is more important, perhaps, is the impact of flexible contracts on the mainstream labour force and on employment opportunities for socially excluded groups. If employers can meet their staffing needs with part-time or casual employees, will they have any incentive to create more stable job opportunities which imply longer-term commitment to members of the workforce?

The key considerations, for both employers and employees, are the terms and conditions of employment specified in the contract or practised through internal human resource policies. On the whole, most employers find it more efficient (and financially beneficial, in the long term) to employ most workers on permanent contracts and to offer them terms and conditions which nurture a high-trust psychological contract and workforce stability. Nevertheless, to the extent that less highly skilled jobs can be fragmented without damage to productive or service quality - as in hospitality and retail part-time employment - flexible working is likely to increase, with job opportunities which provide for the full subsistence needs of incumbents decreasing. The researchers conclude that the challenge for employers and policy-makers will be to

ensure that such jobs supplement rather than replace 'real jobs' and provide employee flexibility rather than reinforcing dependence on the family, the community and the State.

About the study

The research was conducted between autumn 1997 and spring 1999. Detailed case studies - involving interviews with employers, trade union representatives and employees, along with some self-completion employee surveys and telephone follow-up interviews - were carried out in 30 establishments in the five sectors investigated. Sectoral-level interviews and analysis of secondary evidence were also undertaken to inform the selection of case study organisations and help locate the fieldwork data in a broader context. A stakeholders' workshop was held two-thirds of the way through the project to feed back and refine preliminary findings.

How to get further information

The full report, **Whose flexibility? The costs and benefits of non-standard' working arrangements and contractual relations** by Kate Purcell, Terence Hogarth and Claire Simm, is published for the Foundation by YPS (ISBN 1 902633 37 7, price £13.95 plus £2 p&p).