

CHANGING MODES OF WORK

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Working Paper 64/02
November 2002

WORKING PAPER SERIES

ISSN 1327-5216

Abstract

The advent of globalisation and decreasing government labour market within the Western World have wreaked havoc with the concept of what has been thought of as traditional employment. As work becomes increasingly casual, part-time and temporary it also results in a workforce that is increasingly dynamic and fluid – features which present an ever-increasing challenges for organisations to manage. This paper investigates some of these challenges within the professional contractor workforce (a working relationship that typifies the speed of the change from the traditional and ongoing employer/employee relationship). Implications for the individual, the organisation and organisational culture as well as future research needs are discussed.

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Bryan Noakes, the retiring head of the Australian Chamber of Commerce and Industry says a “million and one problems” stem from the trend to people contracting their services rather than working as employees, problems that have so far proved too big for the International Labor Organisation (Crown, 2001:5). While ever-increasing numbers of workers appear to be speeding their way into contract employment, there is still considerable debate over why these moves are occurring and who benefits from them. The question of ‘why’ is important because the answer makes explicit the issues of choice and control, which traditionally underlie the ability of the employer to manage the workforce. This paper provides a brief review of some of the common explanations offered in wider scale studies of peripheral work and examines them in terms of their relevance to the contract workforce. The paper concludes with implications for the management of contractors and introduces the basis of the research project currently being undertaken by the author.

This paper is the first in a series which details research into the professional contractor workforce. By commencing with a focus on the broader peripheral workforce a number of specific variables have been identified which can then be used to examine the professional contractor in detail. These are:

- reasons for employers’ use;
- voluntary/involuntary worker participation in the type of employment;
- demographic characteristics of the workforce and;
- relationships between peripheral and ‘core’ workers.

The aim is to explore each of these themes within the literature and then, to synthesise this information in terms of the industrial relations implications between employer and peripheral/core workforces.

A consistent view of peripheral arrangements overall and contracting specifically, is provided through Holmes’ (1986) categorisation of employer use of peripheral labour provides. Illustrated in Figure 1, capacity relates to management’s use of peripheral labour to deal with uncertain or irregular demand, specialisation provides access to specialised skills and equipment not available in-house and labour cost minimisation is quite simply, to achieve reduced labour costs.

Figure 1: Employer Reasons for using Peripheral Labour

<p><i>CAPACITY REASONS:</i></p> <ul style="list-style-type: none">• To cope with periods of peak demand• Cover for short term absences of regular employees <p><i>SPECIALISATION REASONS:</i></p> <ul style="list-style-type: none">• Access specialised skills unavailable in-house• Deal with one-off tasks• Access specialised equipment unavailable in-house <p><i>REDUCE LABOUR COSTS</i></p> <ul style="list-style-type: none">• Straightforward reduction of labour costs• Cheaper than in-house staff• Avoid government regulations and charges <p><i>OTHER REASONS</i></p> <ul style="list-style-type: none">• Way around staff ceilings• Enable work outside normal hours• Increase job security of permanent employees• Overcome recruitment problems• Peripheral workers more productive• Reduce union influence• Workers prefer to be on contract

Source: adapted from Holmes, 1986:79

A common theme of Holmes's categories is the use of peripheral labour to reduce costs. Coupled with the lack of worker-oriented concerns, as only the last of the 15 reasons provided incorporates worker preference, the overall view is one of employer lead demand where the employer exercises both choice and control. This view introduces the theme of marginalisation that typifies much of the literature on peripheral work. It is a theme which will be examined in detail in this paper through reference to the peripheral work arrangement of contracting and the results will provide indication as to whether the professional contractor marks the high end of a continuum of peripheral work. If they do, the reasons employers use professional contractors, as illustrated in Figure 1, should be dominated by workers preferences for contract work. This question also foreshadows the concept of the self-managed career and provides for a conclusion focussed on the relationship between the organisation and the peripheral workforce.

1. CONTRACTING

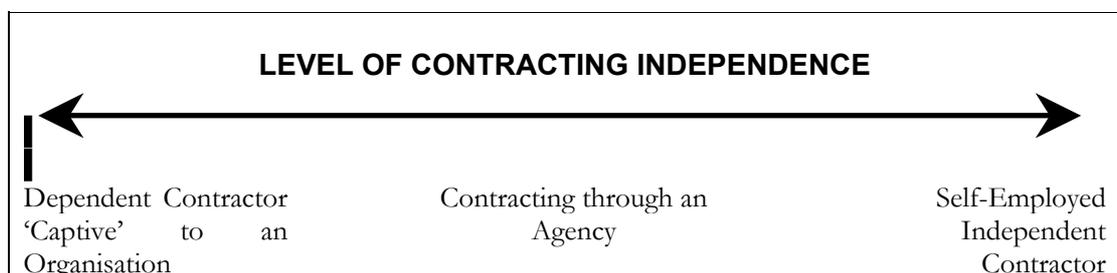
Within labour law literature, the move to contracting is associated with a structural view involving the vertical disintegration of large organisations and the development of horizontal networks of firms (Collins 1990; Prieto and Martin, 1990). Within the British inspired structures of labour law which still dominate the Australian arena, the ability of the courts to tip the balance in favour of the replacement of employees by contract labour is well-recognised (Creighton, 1994:118). Former NSW High Court Judge J.J. Macken (1992:38) sees the use of contractors as a means by which employers can institutionalise insecurity of employment. Labour law perspectives thus support the reduction of labour costs reasons advanced by Holmes's (1986) categorisation.

While the movement of workers into contracting arrangements is commonly explained in terms of supply and demand arguments of peripheral work, there are also some compelling arguments against employers utilising contractors. The first is that of higher cost where it is argued that contractors are primarily motivated by profit and the overheads of this form of employment are higher than the cost of the same activity accomplished in-house (Radeloff, 1995). Added to this is the issue of quality where it is argued that the contract employee does not have the loyalty and dedication of the on-payroll employee and this is seen to result in a lack of service and reliability (Colclough and Tolbert, 1992; Rubach, 1995). Thirdly and perhaps most importantly are concerns of risk, safety and the extent to which contractors can be managed. This issue has been identified within a number of studies of high-risk industries such as petrochemicals, transport, building and meat industries (Fenwick 1992; James 1993; Kochan, Smith, Wells and Rebitzer, 1994; Mayhew, 1996; Underhill and Kelly 1993).

1.1 Professional Contractors

As illustrated in Figure 2, the professional contractor appears to have a continuum of employment possibilities along which to operate.

Figure 2: Amended Continuum of Contracting Independence



Their level of contracting independence determines this. Four significant stages along the continuum are:

1. a 'captive' employee/employer relationship;
2. working through a contracting agency.
3. the incorporated contractor;
4. the self-employed contractor;

Issues of third party liability, ability to provide workers compensation and income tax minimisation vary depending on which stage or levels of independence is chosen (Collins, 1990; Macken, 1992; VandenHeuvel and Wooden, 1995).

For the professional contractor, the choice of an arrangement other than a permanent '9 to 5' job is purportedly an increasingly popular option (Kirkpatrick, 1988; Bridges, 1995). One of the most detailed accounts of the expanding role of the self employed professional who works on a contract basis comes from Canada. According to Scott (1993:16) a partner with Peat Marwick Stevenson & Kellogg in Calgary, nearly 30% of the professionals in their Career Centre in the last 12 months had accepted contract positions. A further 19% set up their own business and a total of 47% chose other than permanent jobs. Similar movements of professionals into contract employment in Australia has also documented (Foley, 2001).

The traditional basis of contracting is the guarantee of competent work that carries liability for performance. While Scott (1993) believes this can be managed through a clear contract in writing, there is also a problem for the organisation in using contractors. Jacobs (1994:3) sums this up as:

In an age in which behavioral scientists are crying out for empowerment, contracting is one of the most decentralized, disbursed, and delegated authorities given to any supervisor. The problem is that few managers and supervisors have a basis for evaluating outsourcing as a management tool.

Further insight into this is provided by the sociological literature on the professions which has tended to concentrate on aspects such as organisational commitment and job satisfaction. In a study of lawyers, Gunz and Gunz (1994) found this occupation was highly mobile and that career paths play an important role in fostering attachment to an organisation. Kirkpatrick (1988) and Whittington (1991) question the ability or even the desire of an organisation to offer security and career paths in their work on research and development workers. These findings are consistent with an alternative theory, that of the Prima Donna and Grunt workforces (Lozano, 1989). In line with Atkinson's (1984) flexible firm model, this alternative theory proposes that the employer consciously decide not to bring a group of workers into the core. The reason now is that high skill equates with an uncontrollable and aberrant workforce whose presence has negative effects on other workers. This introduces the notion of the professional in peripheral employment somehow being different and being subject to a different set of rules of industrial relations. Contrary to the common perception of the professional operating from a position of advantage, the prima donna/grunt theory suggests social isolation and separation are likely. In such situations, disadvantage to the worker is clearly possible. Evidence for this has been found in a number of traditional areas of employer obligations related to hours of work, particularly overwork and ill health and workers compensation, especially in high tech areas such as Silicon Valley (Lozano, 1989).

Returning to the Australian context, there are very few studies of contracting. The few, which do exist, do support the contention of disadvantage. These include the studies of James (1993) and Mayhew (1996), which focussed specifically on workers compensation, Makkai's (1992) focussed on engineering and Probert and Wajcman's (1991) study of computing professionals.

2. SELF-EMPLOYMENT, CONTRACTING-OUT AND OUTSOURCING

The literature on the self-employment is typically closely linked if not subsumed with that of contracting and the variations of outsourcing and contracting out as well as entrepreneurs and unemployment (see for example Bogenhold and Staber, 1991; deVries, 1995; Rainbird, 1990). This inclusion of unemployment may seem odd at first but tends to be linked with government programs to reduce unemployment through grants, increased benefits and other cash incentives for an individual to set up their own business (Meulders et. al., 1994). The world of the self-employed worker appears to offer an array of choices, from permanent, temporary, job share positions to contract work, consulting and setting up your own business.

Moves to outsourcing or contracting-out have been increasingly popular for the last two decades in most western economies. The movement of work to others outside of the organisation and has always been a component of corporate operations, especially in areas such as legal advice, advertising, accounting, construction

and recruiting. One form of this practice is for the company to sell an activity to a group of its employees, who then sell their services back to the company. Jacobs (1994) cites this practice as one of the determinants of the dramatic growth in contracting overall. While corporate examples such as IBM (Bleichner and Collins 1995) or SEMCO (Semler, 1994) advocate the benefits of such a move to both organisations and individuals, there is a rather less palatable rationale as well. In depressed economic times, it is tempting to downsize and 'hire back' a former salaried employee without benefits and often at reduced wages (Harrison, 1994). An extreme example of the 'Outsourcing to the Max' philosophy is the 'Topsy Tail' company, a multi million dollar a year organisation that has only three 'employees' (Garrett, 1994). Yet despite such success stories and its dramatic growth, Jacobs (1993:3) contends that "outsourcing is frequently poorly controlled, high in cost, and a drain on quality and service performance."

Evidence for this view is found in the Australian studies of outsourcing which have tended to concentrate on the public sector. Albin's (1992) study of 58 metropolitan councils Australia wide is one of the most extensive undertaken. The aim was to examine the cost efficiency of contracting out, as measured by "lower rate outcomes or a greater range of services being offered by local government to the taxpayer" (Albin, 1992:4). While contracting out of council services did not necessarily produce any of these benefits, it did support the secondary contention - that the outcomes of contracting arrangements can "further the interests of senior managers, expanding the number of supervisory and professional staff while reducing the number of blue collar employees" (Albin, 1992:25). The April 1997 findings of an investigation into the Victorian ambulance dispatch system reflect similar concerns (Long, 1997).

The lack of empirical evidence supporting the benefits of outsourcing is further borne out in Hodges (1996) extensive literature review of contracting effectiveness. In a review of 129 studies of outsourcing, Hodge (1996:v) concludes that the overall impetus for contracting out was the simple belief that "the private sector was more efficient than the government sector."

The use of contracting out arrangements within the private sector is also widely documented. Within Australia, union and more general social concerns about this practice tend to focus on OH&S issues. Similar to problems discussed earlier within the context of Lozano's 1989 studies, the Australian mining industry has also raised the dilemma of core management employees who have legal responsibility but no management role over contractors who carry out the actual mining operations (Morgan, 1995:11). The issue, once again, is of the legal definition of workers and non-workers. What underlies this issue is how this distinction translates into employment relationships and thus, rights of control over work. The perceived right of the employer to control workers is well documented in the large body of literature on temporary and part-time work.

3. TEMPORARY AND PART TIME WORKERS

The definition of temporary employment focuses on the lack of an ongoing relationship between employer and the temporary worker. In reality however, it is not unusual for such arrangements to be long term. An extreme example of this is cited by Kirkpatrick (1988 p.62) of a 'temporary' library assistant who had been working for over 30 years in her position - with no leave, superannuation or other such entitlements.

In terms of part time employment, Meulders et. al. (1994:1) point to the existence of two distinct definitions, the legal and the statistical, which are further broken down into divisions of relative and absolute. The relative division is concerned with the number of hours worked. The Australian statistical definition of part time employment reflects this concern with hours and defines part time workers as employees who usually work less than 35 hour a week in their main job (ABS, 1996d:46). How many fewer than the legal, contractual or customary standard work hours an employee must work before a position is classified as part time varies considerably – as reflected in the British definition which begins at less than 30 hours. The definitions provide a lower and upper end reference point for differentiating part time from other forms of employment. Another matter of importance also noted by Meulders et. al. (1994) is how the data is actually established - by an objective frame of reference or by workers classifying themselves. The latter is seen in the ABS Labour Surveys where workers identify themselves as full-time or part time. The significance for

this research is that the variation in definitions, and thus the data, is an important aspect to note for any data comparisons.

The contention that employer demand is the basis of the growth in part time or temporary work arrangements is the explicit focus of Parker's (1994) study of the American Temporary Help industry. Based on interviews with 11 branch managers of temporary work agencies and 40 clerical and industrial temporary workers, the uncertainty and degradation reported by the temporary workers contrasts with the industry view that they were serving the interests of workers who wanted something different from the usual, permanent work arrangement. A key feature of the triadic relationship between agency/worker/host organisation was the agencies' perception of their role as being one of serving the business clients' desire for flexibility and cost saving.

Studies examining the female dominated area of clerical and secretarial temporary employment confirm the involuntary nature of this work arrangement for the women involved (Gottfried, 1991; Natti, 1993; Rogers, 1995). Many such workers report they would prefer to be in full-time, permanent employment. Temporary employment can thus be seen as a form of underemployment. This is confirmed by ABS data which shows that 21 percent of part time workers want to work more hours (ABS, 2000b).

Similar results emerge in a large and detailed study of over 700 part time workers by Feldman and Doeringhaus (1992). A key finding was the differences between the type of part time work arrangement, employing organisation and actual job category. While temporary or seasonal employees viewed such work as a "stop-gap measure", most of the permanent, year-round employees found "part time work is a reasonable compromise between the desire to have a career and the desire to have a family" (Feldman and Doeringhaus, 1992:71). The study is important in that it makes explicit the need to link human resource policies that recognise the differences among part time workers with an organisations strategic plan. As previously illustrated in Figure 1, low-cost, disposable employees are equated with low cost goods and a strategy based on cost competition. A strategy based on customer service however is seen to necessitate "more highly skilled and more organisationally committed employees" (Feldman and Doeringhaus, 1992:72).

SUMMARY

This brief review of the most common peripheral work arrangements provides a number of indications for further investigation within the professional contractor workforce. While there is a large body of literature on the future of work which would indicate that professional contractors are likely to occupy a privileged and self-selected place within the larger peripheral workforce, investigations of peripheral work practices indicate that contrary. There in fact appears to be some evidence that the traditional industrial concerns of poor working conditions and social isolation which particularly typify studies of female part-time and temporary employment, as just as relevant to the professional contractor.

Overall, the complete range of categories for employers use of peripheral labour proposed by Holmes (1986) are valid in explaining the presence of professional contractors in the workforce. The theme of the use of peripheral labour to reduce costs appears to be just as important in the professional contractor workforce. There appears to be little evidence that the numbers of workers speeding their way into contract employment are doing so as the result of their own preference. These indications suggest that issues such as the long-term management of a contract workforce are unlikely to explicitly feature as a high priority within employing organisations human resource strategies. This indication in particular, contrasts with the value traditionally associated with professional employment and the work of writers on concepts such as the self-managed career. Alternatively, when contracting agencies are involved in the employment relationship, it seems that human resource strategies previously more commonly associated with traditional employment, may emerge.

In summary, further research into the professional contractor workforce must focus on issues beyond why ever increasing numbers are moving into such arrangements and begin to examine the consequences these moves for those directly involved in the employment relationship as well as for society as a whole.

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