WORKPLACE PLANNING FOR FLEXIBILITY:

STAFFING WITH TEMPORARY EMPLOYEES

WHAT IS CONTINGENT WORK?

- Best understood by what it is not:
  - Not permanent
  - Not full time with single employer
- One definition:

  Any job in which an individual does not have an explicit or implicit contract for long term employment and where minimum hours worked can vary in an unsystematic manner.

WHAT ARE COMMON FORMS OF ALTERNATIVE EMPLOYMENT?

- Temporary help workers
- Leased or contract workers
- Independent contractors
- On-call workers
- Part-time workers

BLS categories
Alternative Work Arrangements as Share of Total Employment (2001)

Part-time Workers
Contract or Leased Workers
Temporary Help Agency
On-Call Workers
Independent Contractors


Trend in Temporary Help Employment


Occupational Distribution of Temporary Workers (Temp. v. Traditional)

Occupational Distribution of Independent Contractors (Ind. v. Traditional)

- Clerical (3.9% v. 14.8%)
- Operators, laborers (7.3% v. 13.3%)
- Other (16.1% v. 25.4%)
- Exec., Admin., Mgr. (19.4% v. 15.1%)
- Professional (16.8% v. 16%)
- Technician (1.2% v. 3.5%)
- Sales (15.6% v. 12%)
- Craft (19.5% v. 10.3%)


Race/Ethnic Composition by Work Arrangement

- Independent Contractors
- Temporary Agencies
- On-Call Workers
- Contract Workers

Median Usual Weekly Earnings, February, 2001

Educational Distribution by Work Arrangement, Feb., 2001

![Educational Distribution Chart](chart1.png)


Percent of Workforce with Health Insurance Coverage, By Work Arrangement, Feb. 2001

![Health Insurance Coverage Chart](chart2.png)


Work Arrangement Preferences

![Work Arrangement Preferences Chart](chart3.png)

Part-time as form of contingent

- **Part-time < 35 hr./wk**
  - Short-term
    - Temp. pt., rare
  - Secondary
    - Perm. pt., no advance
  - Retention
    - Retain valued employees
- **Most is secondary**

Part-time versus full-time hourly compensation

<table>
<thead>
<tr>
<th>Total Compensation</th>
<th>Wage &amp; salary</th>
<th>Legally Required</th>
<th>Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full-time</td>
<td>Part-time</td>
<td></td>
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WHO WANTS TO BE PART OF THE CONTINGENT WORKFORCE?

- **People who want flexibility:**
  - Working mothers
  - College students
  - People on periphery of labor market, such as newly retired
  - Short-term unemployed
WHAT DO CONTINGENT WORKERS WORRY ABOUT?

- Insecure economic future
- Lack of insurance & pension benefits
- Employer inaccuracy in describing & defining job assignments
- Being treated like 2nd class citizens

MOVING FROM STRATEGIC DECISION TO IMPLEMENTATION

STRATEGIC QUESTIONS

What are the Strategic Goals of our organization?

⇒ What are our Core Competencies?

⇒ What is our Organizational Culture?
EVALUATING USE OF CONTINGENT WORKERS

Need to consider direct costs, indirect costs, and productivity of both core & contingent workers.

Decision rule:

The Ratio of Temporary Productivity to Core Productivity must be equal to or greater than The Ratio of Temporary Costs to Core Costs.
MAKING THIS WORK
- Communicate with core employees
- Orient temporaries
- Think about: space, who answers questions, what training is needed
- Be clear about likelihood of permanent hiring

ADVANTAGES & DISADVANTAGES TO CONTINGENT WORK FOR FIRMS

Disadvantages
- Promotability
- Short-term plan
- Risk to workers: recessions
- Loyalty
- Less HC invest
- Lower per capita Y

Advantages
- Lower labor costs
- Security for core workers
- Less inflation
- Flexibility for family issues
- Recruiting pool

JOB INSECURITY & CONTINGENT WORK
WHY DOES CONTINGENT WORK EXIST: COMPETING VIEWS

- Demand driven:
  - Meets employers' needs; way to handle uncertainty
  - Commonly used evidence
    - Secular Evidence: Temps used to be procyclical, now lead business cycle
    - Family char. lack predictive power
    - Quality of Jobs
    - Nearly 50% THS involuntary

ALTERNATIVE VIEW OF USE OF TEMPORARY WORKERS

- Self-selection model
  - Family/demographic characteristics suggest that many in contingent arrangement there because meets family needs
  - Explanation for lower wages after controlling for other human capital:
    - Wage differential may be CWD for preference for part-time

CONTINGENT WORK AS RESPONSE TO INCREASING UNCERTAINTY

- 2-Tier workforce:
  - Core: Salaried employees on payroll for whom traditional values hold
  - Periphery: weak ties to co. hired for finite periods; few benefits
  - Core handles stable portion of product demand; periphery handles fluctuating portions
ALTERNATIVE APPROACH: SHARE ECONOMY

- Shock of downturn absorbed through lower compensation not layoffs
- Initially macro idea
- Stimulates productivity
- Spreads risk across workers
- Firms less afraid to hire
- Requires trust between management & firms