

## **AN ATTEMPT TO IDENTIFY THE LEVEL OF EMPLOYMENT FLEXIBILITY IN ORGANIZATIONS**

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**Key words:** employment, employment flexibility, flexible forms of employment, the level of employment flexibility.

### **Abstract**

The changing business environment requires organizations to adopt flexibility, including employment flexibility, enabling them to compete on the market. This area seems to be widely discussed in literatures, but it has not been the subject of in-depth analyses. The analysis presented in this paper aims to identify the level of employment flexibility in organizations. The paper identifies the major factors which determine employment flexibility levels and presents the main measurement methods for diagnosing the levels of employment flexibility in organizations. In order to achieve this objective, the author presents a critical analysis of literatures in the area in question. The paper claims that the specific forms of flexible employment may have a different impact on the organization's employment flexibility. The level of employment flexibility is conditioned by the scope and type of the applied forms of employment, which are closely related to the time and costs of the recruitment and dismissal process. In this context, a diagnosis of employment flexibility plays a significant role. Its measurement may be based on different indicators which reflect changes to the organization's employment including the modified ratios of employment structure, employee movement and its areas as well as employment stability.

### **PRÓBA IDENTYFIKACJI POZIOMU ELASTYCZNOŚCI ZATRUDNIENIA W ORGANIZACJI**

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**Słowa kluczowe:** zatrudnienie, elastyczność zatrudnienia, elastyczne formy zatrudnienia, poziom elastyczności zatrudnienia.

## Abstrakt

Zmienny charakter otoczenia sprawia, że organizacje, aby konkurować na rynku, muszą być wyposażone w atrybut elastyczności, w tym elastyczności zatrudnienia. Problematyka ta, choć wydawałoby się często poruszana w literaturze, nie jest dogłębnie zbadana. Przedmiotem analizy w artykule jest identyfikacja poziomu elastyczności zatrudnienia w organizacji. Celem natomiast jest próba określenia głównych czynników wyznaczających poziom elastyczności zatrudnienia oraz wskazania podstawowych miar przydatnych do diagnozowania poziomu tej elastyczności w organizacji. Narzędziem realizacji tak sformułowanego celu jest krytyczna analiza literatury przedmiotu. W artykule wykazano, że poszczególne elastyczne formy zatrudnienia w zróżnicowany sposób kształtują elastyczność zatrudnienia w organizacji. Poziom elastyczności zatrudnienia jest uwarunkowany zakresem i rodzajem wykorzystywanych w organizacji form zatrudnienia, z którymi ściśle są powiązane czas i koszty pozyskiwania i zwalniania pracowników. W tym kontekście istotna staje się diagnoza poziomu elastyczności zatrudnienia. Do jej pomiaru można stosować różne mierniki obrazujące zmiany w sferze zatrudnienia w organizacji, np. odpowiednio zmodyfikowane wskaźniki: struktury zatrudnienia, natężenia ruchu zatrudnionych, obszarów ruchliwości pracowniczej oraz stabilności zatrudnienia.

## Introduction

Labour (market) flexibility is referred to macro rather than micro dimensions. A number of research studies and publications are dedicated to labour market flexibility (deregulation) (e.g.: BORKOWSKA 2004, p. 285–314, *Deregulacja polskiego rynku pracy...* 2003, *Deregulacja rynku pracy i koszty pracy...* 2009, WIŚNIEWSKI 1999, ZAWADZKI 2005), while less attention is given to labour flexibility (or, more specifically – employment in organizations). These issues seem to be significant not only in the context of the external labour market, but also from the perspective of individual business entities.

The analysis presented in this paper aims to identify the level of employment flexibility in organizations.

The paper identifies the major factors which determine employment flexibility levels and presents the main measurement methods for diagnosing the levels of employment flexibility in organizations.

The author formulates the following research hypotheses for the needs of the presented analysis:

- increased employment flexibility in an organization may be achieved through a wider use of flexible forms of employment,
- the organization's employment flexibility level is conditioned by the application of different forms of flexible employment,
- the major factors which determine employment flexibility levels are those related to the time and costs dedicated to employee recruitment and dismissal processes; those factors are conditioned by the applied forms of employment,
- the following modified indicators may be applied to measure the

organization's employment flexibility, e.g.: employment structure, employee movement and its areas, and employment stability.

The above hypotheses are verified on the basis of a critical analysis of literatures.

### **The essence of employment flexibility**

Employment flexibility (quantitative, numerical) – apart from financial flexibility, functional flexibility and working time flexibility – is a component of a broader concept – labour flexibility. Employment flexibility is understood as the organization's ability to adapt its current employment level and structure to the changing internal and external conditions of functioning (KRÓL 2007, p. 83, KWIATKOWSKI 2003b, p. 18, PIÓRKOWSKA-WOJCIECHOWSKA 2008, p. 96). The process of adjusting employment structures to the changing environment in terms of quantitative and qualitative changes performs the function of an adaptation mechanism. The organization which is characterized by employment flexibility is able to achieve the desirable level and structure of employment without the need to incur high costs and dedicate much time to the process. Higher (lower) employment flexibility indicates the organization's higher (lower) sensitivity in case of the level and structure of employment to the determinants of labour demand (KWIATKOWSKI 2003a, p. 20). The discussed type of flexibility (more precisely – its levels) is related to the forms of employment applied by an organization. The traditional forms of employment are being replaced by more flexible forms, increasing employment flexibility in organizations.

Referring to the major employment flexibility factor cited in literatures – the scope of employment protection (KWIATKOWSKI 2003b, p. 18) – two approaches may be adopted. They are derived from the proposed in literatures definitions of flexible employment (FLOREK 2001, p. 27, SZYLKO-SKOCZNY 2004, p. 250). Employment flexibility could be defined in:

- the narrowly understood approach to employment flexibility – it is considered in the context of employment within the legal framework of employment contracts (increased flexibility under employment contracts),
- the broadly understood approach to employment flexibility – it is considered not only in the context of employment flexibility within employment contracts but also from the perspective of other than labour code regulations.

## The identification of the level of employment flexibility

Employment flexibility has an external character – employee acquisitions and dismissals involve interactions with the external labour market (SZYLKO-SKOCZNY 2004, p. 254). It is the nature of such interactions that determines the level of employment flexibility. More precisely – the level of the organization's employment flexibility is determined by two factors: time and costs. Time refers to employee acquisition as well as the dismissal process (the period of time between the formal dismissal and the moment at which the employee actually leaves the organization – employee dismissal notice). The incurred costs result from the recruitment, selection and dismissal process (severance pay).

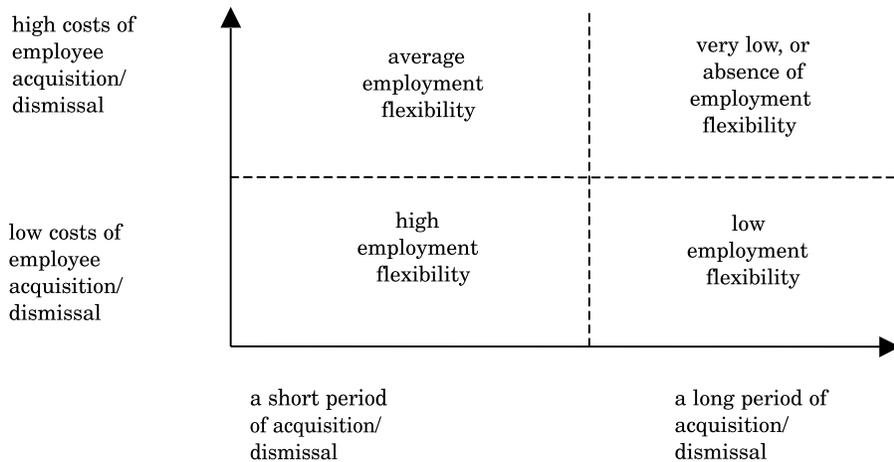


Fig. 1. Employment flexibility levels in terms of cost and time of employee acquisition and dismissal  
Source: author's research.

In terms of the costs and time dedicated to employee acquisition and dismissal, four simplified levels of employment flexibility may be identified (Fig. 1):

- very low – a long period of employee acquisition and dismissal and high costs of these processes,
- low – a long period of employee acquisition and dismissal coupled with low costs,
- average – a relatively short period of acquisition and dismissal coupled with high costs,
- high – a short period of acquisition and dismissal and low costs.

Obviously, it is a simplification to jointly consider the issues of time and costs in relation to employee acquisition and dismissal. The costs (time) of employee acquisition and the costs (time) of dismissal are not always comparable. It may happen that acquisition time and costs are average or low, and the dismissal process is not postponed, and it does not generate any costs.

The time and costs of employee acquisition and dismissal result from the applied forms of employment. On the basis of such criteria different forms of employment may be regarded to be less or more flexible. It may be assumed that the level of employment flexibility is dependent on the application of different forms of employment.

In this context, a typical form of employment – an unlimited employment contract for a full-time position is the least flexible one: all the analyzed indicators are at a high or very high level, leaving no space for any flexibility.

The flexible forms of employment, on the other hand, include those at low, average, high and very high levels of flexibility, depending on the time of employee acquisition and dismissal as well as the related costs.

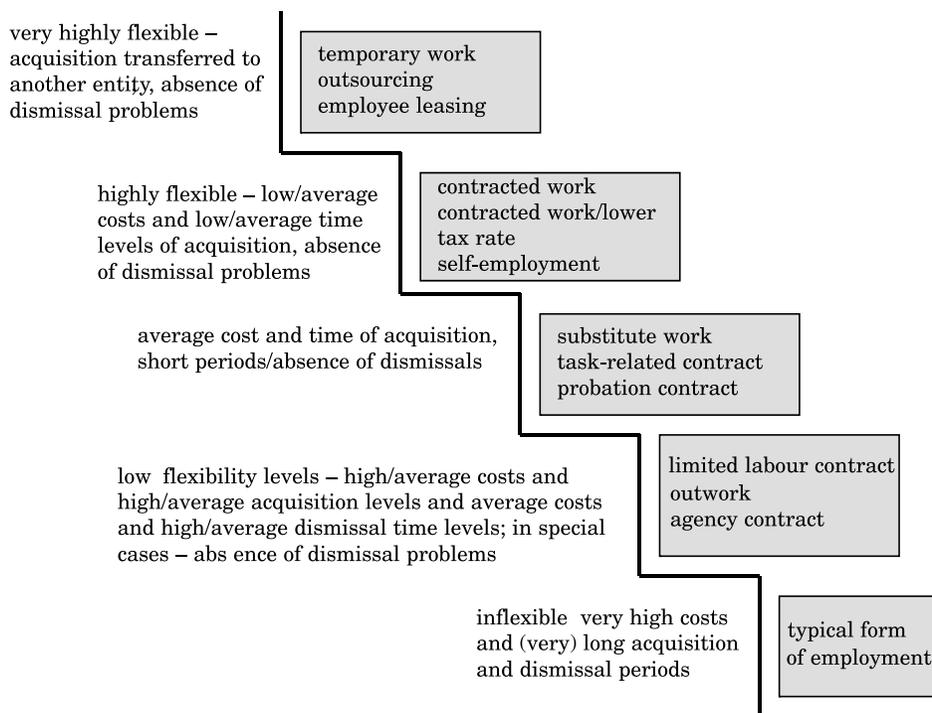


Fig. 2. Flexibility of selected forms of employment

Source: author's research.

According to the adopted criteria, the inflexible forms of employment which determine low or very low employment flexibility include outwork employment, employment agency agreements and unlimited employment agreements. Such forms are characterized by high/average acquisition and dismissal costs and long/average duration of the process. As regards dismissal, limited labour contracts (for a specified period of time) are exceptional cases in which termination of the contract does not involve any costs.

The group of average level flexible forms includes the remaining limited labour contracts. They are characterized by average time and cost levels, while dismissal does not involve any costs or relatively low costs. The application of such forms results in average flexibility levels.

Highly flexible employment forms are characterized by low/average acquisition costs, low/average time levels, while the dismissal process does not require time and does not generate costs. This group includes different forms of contracted work and self-employment.

Very highly flexible forms of employment, as a result of the transfer of acquisition procedures to other entities and elimination of dismissal processes, include temporary work, employee leasing and outsourcing.

### **A diagnosis of different methods for assessing employment flexibility**

When employment flexibility is indispensable to the organization's functioning, being an adaptation mechanism or a source of competitive advantage, the identification of its level plays an important role.

The following modified measurements may be applied, which describe (ARMSTRONG 2004, p. 289–290, LEWICKI 1981, p. 101–103, POCZTOWSKI 1991, p. 231–235, POCZTOWSKI 2007, p. 158–160, TYLOR 2006, p. 41–42):

- organization's employment structure with the share of flexible forms in total employment,
- levels of employee movement connected with the forms of employment using in organization,
- areas of employee movement,
- employee stability.

The measurement of employment structure from the point of view of flexible employment forms may be based on general ( $S_{zo}$ ) and specific employment structure indicators.

The former one may be calculated on the basis of the following formula:

$$S_{zo} = \frac{P_E}{P_O} \cdot 100,$$

where:

$P_E$  – number of employees working on a flexible basis in organization,  
 $P_O$  – total number of employees in organization.

The general employment structure indicator shows the share of employees working on a flexible basis in the total number of staff. In other words, it indicates the level of applying flexible forms. It may be calculated as at a given day (usually the end of the month) or as an average value in the analyzed period (e.g. month, quarter, year). The weakness of this indicator is the fact that it does not indicate the working hours of the particular staff members. The same is true of the two specific indicators presented below.

In addition to that, the above indicator's numerator includes all the applied forms of flexible employment, so it does not present a reliable picture of employment flexibility because, as already mentioned, the particular forms of employment vary in terms of their flexibility. Some of them, for example temporary or contracted work, considerably increase the level of flexibility unlike such forms as long-term labour contracts.

More precise indicators include in their numerators specific forms or groups of employment methods. A detailed analysis of employment structure may be based on the following indicators:

– a detailed employment structure ( $S_{sz}$ ) which presents the share of staff members working under a specific flexible contract or a group of such contracts in the total number of employees in organization:

$$S_{sz} = \frac{P_{ES}}{P_O} \cdot 100,$$

where:

$P_{ES}$  – number of staff members working under a specific flexible contract (e.g. contracted work) or a group of flexible forms of employment (e.g. all civil and legal contracts);

– employment structure based on flexible forms of employment ( $S_{ze}$ ) – it represents the share of staff members who work under a specific flexible contract or a group of such contracts in the total number of staff employed on a flexible basis:

$$S_{ze} = \frac{P_{ES}}{P_E} \cdot 100.$$

Both indicators may be calculated as at a given day (usually the end of the month) or as an average value for the analyzed period (e.g. month, quarter, year). However, an analysis based on the status at a given day may not represent the actual structure which changes in the course of time.

If the organization does not employ any staff under typical labour contracts, then:

$$S_{zs} = S_{ze}.$$

The other group of indicators which measure employment flexibility are those which describe employee movements in an organization. General or specific movement indicators may be applied.

The general movement indicator ( $R_o$ ) is calculated on the basis of the following formula:

$$R_o = \frac{N + O}{P_o} \cdot 100,$$

where:

- $N$  – number of recruits in the analyzed period in organization,
- $O$  – number of staff members who leave the organization in the analyzed period,
- $P_o$  – average number of staff employed in the analyzed period in organization.

The movement indicator may be made more specific when the “entries” of new staff members and “exits” are considered in separation, and when such events are analyzed in the context of the particular forms of flexible employment.

The specific movement indicators include the following:

- “entry” indicator ( $R_w$ ):

$$R_w = \frac{N}{P_o} \cdot 100,$$

- “exit” indicator ( $R_o$ ):

$$R_o = \frac{O}{P_o} \cdot 100,$$

- “entry” structure indicator ( $R_{we}$ ):

$$R_{we} = \frac{N_E}{N} \cdot 100,$$

where:

- $N_E$  – number of people “entering” the organization under specific contracts in the analyzed period;

– “exit” structure indicator ( $R_{oe}$ ):

$$R_{oe} = \frac{O_E}{O} \cdot 100,$$

where:

$O_E$  – number of people who “exit” the organization under specific contracts in the analyzed period.

Both structure indicators (“entry” and “exit”) may be calculated for the particular flexible forms of employment and for the entire groups. The “entry” structure indicator shows the percentage of recruits employed under specific flexible contracts, while the “exit” structure indicator – the percentage of those who leave the organization and who were recruited under a specific flexible contract. In analyzing movement indicators it should be remembered that not all “entries” and “exits” are related to employment flexibility. A number of such events result from the natural movement of employees (labour market entries/exits, change of a workplace, old age/disability pension). From the point of view of identifying the level of employment flexibility in the analyzed group “entry” and “exit” indicators for the particular forms of employment are of greater significance.

The diagnosis of employment flexibility may also be based on the indicator which measures the areas of employment movement ( $R_s$ ):

$$R_s = \frac{S_R}{S} \cdot 100,$$

where:

$S_R$  – number of workstations affected by employee movement in the analyzed period,

$S$  – total number of workstations at the end of the analyzed period or average values in that period.

The indicator shows the number of workstations affected by employee movement (most of them, or only few). In calculating the indicator it is important to eliminate the inclusion of the same workstation for a number of times, which would distort the true picture of the situation and lead to wrong conclusions.

The last group of the proposed indicators for measuring employment flexibility is related to employment stability. The stability indicator ( $S_t$ ) provides information on the percentage of staff members who have been

employed for longer than average periods of time in a given organization (months or years). The indicator may be calculated on the basis of the below formula:

$$S_t = \frac{S_X}{P_O} \cdot 100,$$

where:

$S_X$  – number of staff employed in organization for longer than the adopted minimum;

$$\bar{S}_t = \frac{\sum_{X=1}^n L_X S_X}{\sum_{X=1}^n S_X} \cdot 100,$$

$\bar{S}_t$  – average period of employment per person in organization,

$L_X$  – employment period in years,

$S_X$  – number of employees working in organization for a specific period of time;

$$S_t = \frac{S_t + 1}{P_O} \cdot 100,$$

$S_{t+1}$  – number of people working for longer periods than the calculated stability minimum level  $\bar{S}_t$ .

The employment stability indicators describe the reverse of the analyzed phenomenon. However, they may be useful in determining the duration of employment in an organization. Optional stability indicators may be calculated for the particular flexible forms of employment.

### Concluding remarks

The need for flexibility, including employment flexibility, in contemporary organizations is unquestionable. It is confirmed by practitioners and theoreticians alike. The issues related to employment flexibility at the micro level require further research – in the areas, for example, discussed in this paper.

Referring to the hypotheses formulated in the introduction to this paper, the following statements may be made:

- departure from traditional forms of employment leads to increased employment flexibility. Moreover, the wider the range of flexible employment contracts, the higher the level of employment flexibility;
- the particular forms of flexible employment are characterized by different levels of flexibility. The application of different forms of employment in organizations affects the level of employment flexibility;
- employment flexibility levels are determined by the time and costs of employee acquisition and dismissal. The easier the acquisition and dismissal procedure, the more flexible the employment form is, increasing the organization's general level of employment flexibility;
- different indicators may be applied to measure the organization's employment flexibility. They include the modified indicators of employment structure, employee movement, employee movement areas and employment stability. The determination of the level of employment flexibility should also be based on the costs and time of employee acquisition and dismissal.

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