

SOCIAL DOMAIN

EMPIRICAL ANALYSIS OF ALTERNATIVE EMPLOYMENT FORMS IN HUNGARIAN SMALL AND MEDIUM SIZED ENTERPRISES

IREN GYOKER, PH.D.
Associate professor, Department of Management
and Corporate Economics, BUTE, Hungary

HENRIETTA FINNA, PH.D.
Assistant professor, Department of Management
and Corporate Economics, BUTE, Hungary

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Abstract: While reacting to globalization and ongoing crisis organizations face numerous decisions about handling workforce. They should realize the gathering ground of flexibility in employment with regards to costs, and have to deal with alternative forms in order to be able more adaptive to the changing customer needs as well. The scope of this present research work is to explore the status of flexible employment forms in Hungarian Small and Medium Sized Enterprises and to investigate the factors influencing its applicability.

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Introduction

The world of work has been changed in the last years significantly due to fierce competition mostly influenced by globalization and the recent worldwide economic crisis. According to Hethy (2001) the effect of globalization brought the following changes to employers' and employees' life:

- Growing rate of fixed term employment contracts against of traditional work arrangements;
- Spreading of part-time work at the expense of full time employment;
- Growing importance of atypical work (telework, home-based work, etc.);
- Increased working time flexibility.

Organisations can react to changing demands quickly, if there is flexibility in resources they own. Human resources nowadays should be considered as a strategic resource, especially under the hard conditions of economic crisis. Several research has proved over the past decades that financial and technological resources are significantly easier to ensure than providing the most suitable quality and quantity of workforce, personnel.

Importance of flexibility

In the classical, full-time employment model labour market flexibility is a business goal, striving to provide faster and more efficient response to the changing environmental demands. The means providing these responses are called flexible employment forms.

There are two basic dimensions of flexibility: flexibility in employment and flexibility in work (Pollert, 1988). Flexibility

in employment is a labour market concept. As markets and the business cycle undergo their usual changes, managers of firms find it desirable to shift the size of their work forces. In the last two decades there has been a large and varied list of innovations, which have increased flexibility in employment. Part-time and temporary work, sub-contracting, and telework are just some of the forms of employment flexibility.

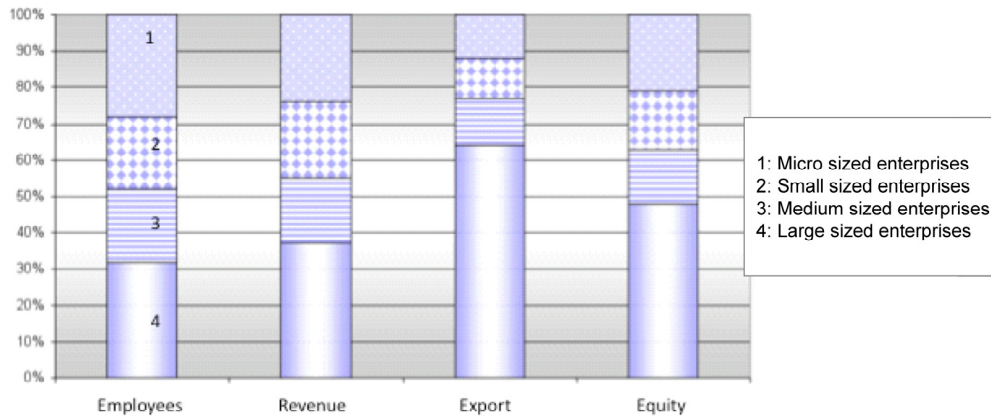
Flexibility in work refers to flexibility within the firm or within the production process. This is the notion that flexible technologies enable a more rapid transfer of machines and processes between production functions or types. Coupled with more flexible forms of work organization, such as working time, group and team approaches, the new technologies enable a firm to produce variations of products, even different products, cheaply in small batches. Thus it is possible for firms to respond easily and quickly to rapidly changing markets. (Smith, 1995)

Focus and methodology of the research

We focused on the domestic SME sector because of their emerging importance within the Hungarian economy. According to Viszt (2002) and Buzás et al. (2003) this sector has leader role in many respects (Figure 1).

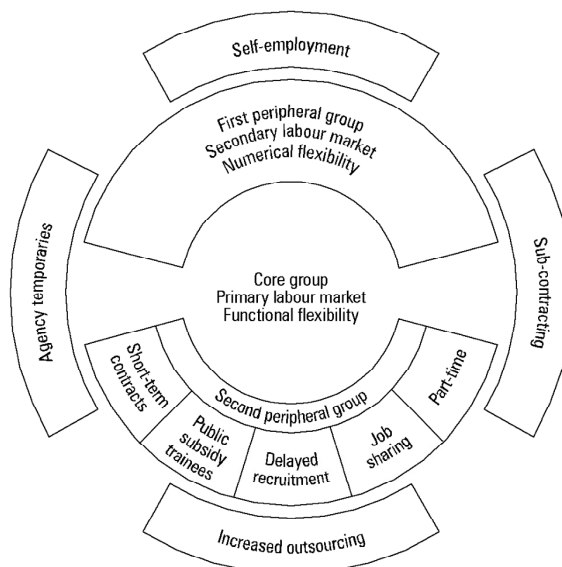
According to the statistics, labour market flexibility of large enterprises in Hungary is showing an increasing tendency; however, domestic SMEs have not yet adopted these forms in practice, or they are referring to automatisms that are not included in their employment reports. For the time being there is no research data available on the SMEs' employment policies, therefore the research on flexible employment forms conducted at SMEs and described herein was long due.

FIGURE 1. IMPORTANCE OF HUNGARIAN SMEs BY NUMBER OF EMPLOYEES, REVENUE, EXPORT AND EQUITY



Source: data from KSH, 2009.

FIGURE 2. THE FLEXIBLE FIRM



Source: Atkinson, 1984

To our research we invoked the Atkinson's "Flexible firm" model (Figure 2) that has gained a prominent role in shaping debate about labour market flexibility and employment restructuring in the 1980s. The model argues that employers are increasingly segmenting their workers between a permanent "core" of full-time employees, and a "periphery" of part-time, temporary, subcontracted and "outsourced" workers. The "core" provides "functional flexibility" through lowered job demarcations and multi-skilling, while the "periphery" provides „numerical flexibility" (Pinfield-Atkinson, 1988; Rix-Davies-Gaunt-Hare-Cobbold, 1999)

The scope of the present research work is to explore the state of flexible employment forms in SMEs and to

investigate the factors enabling and disabling its applicability. During the analysis, the employers were approached and covered through online questionnaires providing quantitative and qualitative data on present employment practices, on attitudes towards employment practices, and on the awareness of flexible employment forms. Apart from analyzing the motivation for nonstandard employment, the study also assesses the demand for services related to atypical employment forms (mostly about creating awareness of the meaning and the legal environment of atypical employment forms); thus providing widely applicable results facilitating the work of government-level decision makers, special

institutions (like Public Employment Service) and SME managers.

The main research questions reveal the following areas:

- How often Hungarian SMEs use atypical employment forms? Can Atkinson's Flexible Firm concept be adapted in this sector?
- Could specific SME-sectors or groups of companies be identified, those who prefer flexible forms of employment?
- How do customers' (quantitative and qualitative) needs change and what kind of reactions do organisations have to these ever changing demands?
- Which level of functional flexibility can be found in the domestic SMEs?
- How well are the Hungarian SMEs informed about numerical flexibility/atypical employment (do they have enough information about the advantages and disadvantages?)
- What kinds of roles do the law regulations play in this area and what kind of requirements do enterprises present to decision-makers?

With the online questionnaire we addressed 970 domestic SMEs, from different sectors in order to get representative results. The respond willingness was about 11%. In the end there were 109 questionnaires to assess. To analyze the data we used statistical probes, association analyses, but we examined the more subjective, written answers as well in order to gain qualitative information.

Results of the research

In this article we present some parts of the whole study and the main conclusions (Finna, 2008):

- From the hard factors describing an enterprise (field of the industry, number of employees, sales revenue, ownership, scope of activities) only the size (the number of people employed and the sales revenue) shows relevant connection to the frequency of numerical and functional flexibility-enhancing forms of employment. While the factor "number of people employed" is equally related to both the numerical and functional flexibility, sales revenue is exclusively related to the numerical flexibility (see the data from chi-square probe below in Table 1, highlighted χ^2 values that are in the accepted range).

TABLE 1. RESULTS OF ASSOCIATION ANALYSES OF HARD FACTORS AND DIFFERENT EMPLOYMENT FORMS (CHI-SQUARE PROBE WITH α SIGNIFICANT LEVEL)

Hard factors of organisation		Flexible working time	Part-time work	Telework	Fixed-term contract	Temporary work	Functional flexibility
Industry	χ^2 / p	26.23 / 0.450	9.67 / 0.720	16.45 / 0.226	5.51 / 0.962	19.04 / 0.122	14.25 / 0.356
Size (number of staff)	χ^2 / p	22.72 / 0.003	3.35 / 0.502	4.87 / 0.301	14.07 / 0.007	14.33 / 0.006	9.04 / 0.060
Revenues	χ^2 / p	1.67 / 0.795	2.00 / 0.366	2.92 / 0.233	6.64 / 0.036	6.31 / 0.043	2.52 / 0.283
Ownership	χ^2 / p	5.17 / 0.739	1.49 / 0.829	10.86 / 0.028	6.10 / 0.192	7.55 / 0.11	7.01 / 0.135
Types of jobs	χ^2 / p	10.94 / 0.027	4.23 / 0.120	0.90 / 0.637	1.04 / 0.593	2.20 / 0.332	0.19 / 0.910

Source: own calculation

TABLE 2. USAGE OF NUMERICAL/FUNCTIONAL FLEXIBILITY BY THE SIZE OF ENTERPRISES (MICRO: 0-9 EMPLOYEES, SMALL 1: 10-30 EMPLOYEES, SMALL 2: 31-49 EMPLOYEES, MEDIUM 1: 50-149 EMPLOYEES, MEDIUM 2: 150-249 EMPLOYEES)

	Micro	Small 1	Small 2	Medium 1	Medium 2
Rate of numerical flexibility	0.6	0.56	0.67	0.65	0.76
Rate of functional flexibility	0.4	0.44	0.33	0.35	0.24

Source: own calculation

According to the research we can state, that top managers are making such decisions based on soft factors like organizational culture, level of trust, management attitudes and former employment practice.

- Functional flexibility - employing multi-skilled, mutually substitutable workforce - is significantly increasing with decreasing size of enterprises; while enterprises implementing numerical flexibility are more related to medium-sized enterprises (showing slightly positive associative relation).

The functional flexibility rates suggest that the need for mutual substitution among employees is higher in smaller enterprises (Micro, Small 1 ad Small 2). Because of the low number of employees and the financial constrains it is easily understood that the functional flexibility - with multi-skilled workforce - is necessary for these companies to meet the multiple needs of customers .

- In reality there is no one model of the Flexible Firm, so we could not define only one type for SMEs. Atkinson's Flexible Firm appears in two variants among small and medium-sized enterprises in Hungary: half of the enterprises - similarly to the big companies -apply the

devices of numerical flexibility occasionally, depending on the quantitative change of the customer needs. The other half of enterprises show a mutually exclusive usage of these devices can be identified: they operate with devices fostering only numerical or only functional flexibility.

Unfortunately we did not find any supporting evidence (amongst the hard factors of the enterprises) that can support the choice between the two.

4. After analyzing the quantitative and qualitative data we can state that SMEs despite regarding themselves flexible, are still faced with continuous resource problems, which is mainly due to the inadequate human resources (Problem areas: human 45%, financial 21%, technological 18%, infrastructural 12%, other 4%). Operational flexibility at the small and medium-sized enterprises occurs only to a very limited extent in their employment policy, despite of the fact that customer demands can usually not be met mostly due to lack of human resources. Unexpected demand is handled with the usual routine - usually by involving sub-contractors.

75% of the companies agreed with the statement that they involved outsiders to solve resource-problems. Analyzing the data we can say, that SMEs are open to adapt flexible forms of employment, but they do not have enough information to decide for one or another type.

5. According to the comments the willingness of SMEs to use alternative employment forms depends on the knowledge about these solutions and the interest for getting information about them (like law, regulations and incentives to motivate atypical employment). Unfortunately only 30% of these enterprises have up-to-date information about these non-standard forms, so the majority of SMEs can be characterized with uncertainty. Owners and managers of the domestic small-and medium-sized enterprises do not have enough knowledge to make adequate employment decisions regarding the atypical employment forms, thus select the applied solutions intuitively. In order to increase the usage of the alternative employment in SMEs' practice, creation of an institutional system supporting the national employment policy is necessary, which is aiming to increase the awareness, extend regulations and provide further benefits to those applying these atypical forms.

Conclusion

Efficient and flexible utilization of the workforce is essential for the company, since it influences competitiveness and has significant impact on labour costs which is particularly high in the strongest industry of the economy: the services sector. However - from a national economic perspective - there are several groups and social stratifications whose profit gaining activities are the results of activity scopes derived from numerical flexibility enhancing atypical forms and functional flexibility.

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