

# 11. TOWARDS FLEXIBLE WORK: CHANGES IN EMPLOYERS' AND EMPLOYEES' BEHAVIOR

*Natalia Karotom*  
*Tallinn University of Technology*

## **Abstract**

Flexibility is an important medium for successful operation on the market. The question is: Do Estonian entrepreneurs and organizations take advantages of flexible work and employment patterns, and if so, then in what forms? Concerns for flexibility are in the centre of attention of many organizations, especially where flexible work is concerned. However, it cannot be reduced to this alone since the permanently changing economic conditions, development of technological and managerial knowledge as well as growing subjectivization and individualization of work expand the demand for different forms of flexibility. Flexibility helps reduce the cost of labor force, increase the operating time and allows different actors to achieve individual goals. This article examines the implementation of flexible work and employment in Estonia, and shows that local entrepreneurs and organizations, being flexible on the one hand, keep to the traditional patterns of employment and work on the other.

## **Introduction**

Changes in the entrepreneurship environment are influenced by the trends of global development and the local processes where flexibility plays an important role. Primarily, at the beginning of

the 1970s, flexibility was examined with regard to transformation of economy and changes in social and occupational structure (Piore and Sabel, 1984), but starting from the 1990s, the emphases have been on competition and individualization, accompanied by the emergence of a knowledge worker (Bauman, 2002; Tilly and Tilly, 1998). In this sense, speaking about flexibility means speaking about changes in work. This brings one to the point that flexibility has various dimensions. On the one hand, it means labor market flexibility, including changes in work performance and required qualification, but also refers to interaction between an employer and employee, including labor contracts and working time arrangements. On the other hand, flexibility is the result of growing individualization, or as U. Beck has put it, “institutionalized individualism” (2001) and in this sense is applied to the action of different actors.

There is one more reason for stressing the interdependence of the ongoing changes in work and flexibility. Work is considered to become a separate task rather than a permanent process. In this case, by comparison with the previous decades, workers are in a position where their responsibility for their work performance increases. This transforms them into “labor entrepreneurs” as C-G. Heidegren marks with reference to M. Moldaschel and G. G. Voss (2004). This issue is very important since practice shows that it is not uncommon for former “labor entrepreneurs” to turn into real entrepreneurs and establish their own firms. According to our survey, nearly 43% of the persons who were interviewed had considered establishing their own business, and 9% of them were sure that they would some day do that.

The success and efficiency of entrepreneurs depend on their ability to adjust their strategy to the conditions in which they operate. As competition on the market of goods and services is permanently intensifying, and work is becoming more uncertain and at the same time more flexible, then in this situation an entrepreneur has two options: either to be flexible or to quit from the market.

The main question to be answered is: do entrepreneurs take advantage of the existing forms of flexibility? This article examines flexibility in the work sphere focusing, on the one hand, on working time arrangements and on the other, on work performance. The article has two goals: firstly, to show the diversity of the work and labor market flexibility and its practices in Estonia, and secondly, to trace the preferences of employers.

## Hypotheses and methods

The most proper way to analyze the spread of flexible work and employment is to combine the statistical and survey data. This study is based on the data of the Estonian Labor Force Survey presented in the Labor Force yearbooks. Operating with these data provides an insight into labor market flexibility in general, while the data concerning employers' practices have been obtained in the course of research into work transformation. All the – conclusions are drawn at the significance level of  $p < 0.05$ .

The work survey was conducted in spring 2001 in Tallinn. The sample included 532 persons, predominantly at the age range 20–35; 15% of the interviewees were 36–40 years old. They were all representatives of new professions (sales, project, and personnel managers, IT and PR specialists, etc.). Although 25% of them worked in organizations belonging to the central or local governments, their evaluations and attitudes were of great importance for they provided an insight into the work sphere in general.

An analysis of the usage of flexible work and employment patterns is a kind of diagnosis, indicating efficient use of labor force and equipment, and a possibility to survive on the market. The hypothesis is that entrepreneurs apply flexible forms very selectively: being flexible on the one hand, they are conservative on the other.

## Flexible work and employment

Demand in flexible work and employment depends on both the market situation and the individual preferences of employers and employees. In any case, in advanced industrial countries flexibility is considered to be “a taken for granted stereotype of work” (Ransome, 1999). On the whole, the reason why employers apply flexible patterns of work derives from their need to reduce expenses and produce goods and services as cheaply as possible, preserving, at the same time, the high quality of products in order to remain competitive on the market. The latter means that their concern is also qualification of the hired labor force. If such practice is an established norm in developed countries, it seems quite reasonable for Estonian entrepreneurs and other employers to follow suit and use at least some types of flexible work time arrangements compared to the standard ones.

However, even part-time employment which is so widely spread elsewhere is not at all common in Estonia. Although at the beginning of this century Estonia activated its efforts in adjusting its work environment to the global trends in the work sphere, the overall number of part-time jobs has not changed very much. On the contrary, the share of persons with part-time jobs has even decreased from 9.2% to 8.5% (Labour Force, 2001; Labour Force, 2004). In 2003, in Estonia 8.5% of the employees had part-time jobs, while in the EU countries the average number was 18% (Employment ..., 2003). Such moderate spread of part-time jobs indicates that neither employers nor employees are interested in this type of work time arrangement. But if workers evidently do not want part-time jobs due to their lower rate of remuneration by comparison with full-time jobs, then employers seem to prefer to have full-time employees for two important reasons. Firstly, such labor may be more loyal and stable and not so eager to change an employer whereas part-timers as well as workers with other non-standard time arrangements are more likely to do that. Employment of part-time workers may also lead to a decrease in work

commitment. As to loyalty, then to some extent it is programmed into a worker's behavior since the most common way of getting a job is by using social networks, which presupposes some loyalty. So Estonian employers prefer to give workers full-time employment even if it means working less time than the normal number of working hours, due to employers' reasons; usually it means lack of orders and contracts (in Estonia "normal working hours" means 40 hours per week) (Pavelson and Karotom, 2004). Moreover, preference for full-time jobs derives from the situation on the labor market and qualification of workers. The interviewed persons considered their educational level and obtained skills to be quite high and were sure that they could work in different fields of activity and might comparatively easily find a new job. In this situation, employers are cautious about offering part-time employment, especially if they need a top specialist.

The second reason regards part-time jobs themselves. Generally, they are considered to be "bad jobs" (Kalleberg *et al.*, 2000), which means unqualified jobs or jobs requiring low qualification. At the same time, employers prefer to employ well qualified, educated labor. This is also supported by the survey data: 80% of the interviewees agreed with the statement that in their firms good education is very important even if the job itself can be performed by a worker with a lower qualification. According to the survey, 25% of the interviewed workers admitted that their qualification was higher than their job required and only 9% confessed that their tasks actually required better knowledge than they had. These data indicate that sometimes workers may be overpaid. It seems that educational credentials are important in the hiring process and less relevant where fulfilment of work tasks is concerned.

Working time flexibility allows employers to hire labor for a limited period of time. Temporary and seasonal work is usually used in case market demand lasts for a limited period. In 2003, 2.5% of employees in Estonia had temporary work, while in 2000 that number had been somewhat bigger – 3.4% (Labour Force, 2004;

Labour Force, 2001). 0.7% had seasonal jobs as a type of temporary work (*Ibid.*).

Temporary and seasonal jobs are common in construction, catering, agriculture, and entertainment business, i.e. in all these cases when an employer cannot manage without hiring additional workforce for carrying out certain tasks and orders. Obviously, in this situation an employer who needs unqualified workers is in a better position. Hiring qualified labor with previous experience may cause difficulties, since this group prefers full-time secure employment. However, high levels of unemployment and the emergence of new but low-paid jobs in the service sector impacts on the behavior of unemployed people. According to statistical data, only 27% of the unemployed were looking for full-time job only (Labour Force, 2002).

Scheduling of work during the day/week is also regarded as flexible work time arrangement. In 2003, compared to 2000, the share of workers working after 6 p.m., and/or on Saturdays or Sundays decreased (Labour Force, 2004; Labour Force, 2001). On Saturdays and after 6 p.m. worked approximately 4% less workers than in 2000 (*Ibid.*). But this did not always mean implementation of cheap types of work. It could be shift or overtime work, which helps extend exploiting capacities and utilization time, and also reducing labor costs, but not hiring of workers for non-standard work.

Among the traditional patterns of working time arrangements, overtime work is still favored by the majority of local entrepreneurs and employers. According to statistics, the share of persons working overtime has grown from 19% in 2000 to 22% in 2003 (Labour Force, 2001; Labour Force, 2004). The fact that employers prefer to prolong working hours instead of hiring additional labor speaks of their wish to use the existing full-time labor who is more loyal. Overtime work is more spread in construction, but its implementation in other industries, according to the working time survey provided by the Estonian Institute of Marketing,

derives from the fact that only 47% of workers manage to do their work within the limits of normal working time (40 hours per week).

It seems that overtime work is the form that is spread in all companies regardless of their ownership type. In the survey conducted among the representatives of new professions, the situation did not vary by the type of ownership of a company. However, the companies belonging to foreigners used overtime work less frequently than the locally owned companies. It is obvious that employers keep to full-time job contracts and standard work time arrangements.

## **Cheap work**

Part-time, temporary jobs and non-standard time arrangements are cheaper and usually require less qualified labor. The experience of industrial countries shows that persons with part-time jobs are also usually the first to be dismissed if the situation on the market deteriorates, and the employer wants to reduce the labor costs (Tilly and Tilly, 1998; Kalleberg *et al.*, 2000). In Estonia, like in all industrial countries, the pay for part-time jobs is also smaller than that earned at full-time jobs. In 2003, the average difference between the hourly gross wages for part-time and full-time jobs was 24% (Wages, 2003; 2004). At the same time, it varied quite a lot between the counties, being 32% in Pärnu and Harju but as little as only 2–4% in Tartu and Valga (*Ibid.*).

Differences in hourly wages and salaries are not only due to the location of companies, but also derive from different ownership types. Foreign owners are more likely to pay less for part-time jobs than other owners. In 2003, as shown by Table 1, a part-time worker in a privately owned company belonging to an Estonian person received on average 76% of the hourly wage of a full-time worker, while in a company belonging to a foreigner this indicator was 73%.

**Table 1.** Average hourly gross wages and salaries by the kind of owner of an enterprise, in 2003 (kroons)

Kind of owner	Average hourly wages		
	total	full-time employee	part-time employee
State	44.14	44.67	35.36
Local government	32.83	33.32	28.71
Estonian owner	36.44	36.85	27.99
Foreign owner	51.53	51.94	38.09
Other	–	–	–
Total	39.53	40.05	30.26

Source: Wages and Salaries, 2003; 2004.

In 2003, as shown by Table 1, a part-time worker in a privately owned company belonging to an Estonian person received on average 76% of the hourly wage of a full-time worker, while in a company belonging to a foreigner this indicator was 73%. Although the difference in wages and salaries was not very big, it indicated that local owners had bigger labor costs than their foreign counterparts. In 2000, the corresponding numbers were 79% and 75% (Wages and Salaries, 2001). It means that although the differences have remained, the Estonian owners are also trying to reduce their labor costs and proceed by differentiation between the hourly wages of part- and full-time employees.

Another reason for stressing the differences in the level of wages and salaries by ownership type regards the competitiveness of Estonian entrepreneurs. Considering wages and salaries, an Estonian employer is competitive only with local governments as employers. In this situation, employers face the already familiar problem: how to hire qualified labor for a lower remuneration? Even though employers practice the so-called “envelope salaries”<sup>1</sup> they still experience hardships with being competitive with other employers.

<sup>1</sup> Envelope salary – part of salary (wage) paid to an employee from which no taxes are paid.

## Conclusions and discussion

Flexibility is a response to structural changes and increasing competition on the market, but also a response to consumers' behavior, who being differentiated by incomes wants to vary by the consumed goods and services as well (Piore and Sabel, 1984). This requires a worker whose qualification and skills accord with the implemented technologies and consumer's demand. In this situation, employers have limited options. In order not to increase labor costs, they usually look for labor that has already been qualified and trained. The survey showed that workers with a broad educational profile and skills are preferred as they can carry out a wide range of work tasks if necessary. But employers also need loyal workers. Using informal hiring networks, which is the most common way of hiring workers in Estonia, employers provide themselves with loyal labor, but this may limit their opportunities to implement flexible work and employment. The interviewees confessed that they could work in different fields of activity and would seize a chance to get a better job. Taking into account that in expanding industries it is not so hard to find a new job, employers are quite careful in using flexible forms of work.

It seems that in such a situation an employer may overpay or underpay a worker, as piecework does not require a high qualification. If workers are underpaid, then they may look for another employment since they have invested in education and want to convert it into economic capital. In any case, such behavior of employers may be justified, but not where the reduction of production costs is concerned. It is cheaper to implement flexible employment models and thus avoid overpayment or underpayment and underemployment of the existing workers. Hiring additional labor with non-standard work arrangements and differentiating much more between the wages and salaries paid for part-time and full time jobs, an employer may avoid extra expenses.

The statistics and survey data indicate emerging changes in the work sphere. At the same time, entrepreneurs and other employers underestimate the impact of competition on working time and employment arrangement, and often consider their employees' loyalty superior to other issues. But this, with no doubt, will reduce local entrepreneurs' competitiveness.

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