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MANAGING CONTINGENT WORKERS IN SPORT

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With increasing economic uncertainty and rapidly changing technologies, many organizations have attempted to change their management strategies, and the majority of strategies targeted toward adjusting to this changing economic environment and enhancing competitiveness are associated with human resources management practices such as downsizing, restructuring, and flexible employment arrangements. Organizations in several industries, in particular, are increasingly turning to non-standard employments such as part-time employees as a way to maximize staffing flexibility while lowering personnel costs (Barker 1995; Barling and Gallagher 1996; Brewster, Mayne and Tregaskis 1997; Gallagher 2002). Sport organizations are no exception to this trend and this chapter discusses this phenomenon.

Using non-standard employment is emerging as an increasingly commonplace practice for today’s cost-conscious companies striving to improve workplace productivity and profitability, while minimizing costs and overheads. With a number of employees working with a non-standard employment status in most industries, there has been growing academic interest in non-standard employments. Non-standard employments in sport industries, however, have received little scholarly attention even though they perform a widespread and traditional line of work.

Non-standard employments are commonly referred to as “contingent employments,” a label which was first used by Audrey Freedman in 1985, and the term came to be applied to a wide range of employment practices including part-time work, temporary employment, employee leasing, self-employment, contracting out, and home-based work, and it is defined as any job in which an individual does not have an explicit or implicit contract for long-term employment (Polivka and Nardone, 1989). Organizations that hire employees on a contingent basis enjoy the freedom and flexibility of using staff resources as needed rather than investing in employees on a permanent and full-time basis. Many employees, too, enjoy this flexibility – such as individuals with other personal or professional pursuits, those who want a bridge to a permanent job placement, or others who want to embark upon a new career path, without making a long-term commitment to the employer.

The market for a contingent labor force has grown rapidly in recent years. According to a 1997 US Department of Commerce report, during the ten years between 1986 and 1996, total employment grew by 1.7 percent; in the same period, employment in temporary services grew 10.3 percent. Contingent workers have historically been higher in service industries than in
manufacturing and they were more likely to be female, black, young, and enrolled in school (Polivka, 1996; Sightler and Adams, 1999). Although some contingent workers were found in every industry, contingent workers were much more likely to be concentrated in the service industry than were noncontingent workers. One reason might be that the growth of the service industry has fueled an increasing demand for expanded hours of service. Workforce scheduling in the service industry is much more complicated than in other industries because consumer demand spans 24 hours a day, 7 days a week. The sport industry is also known for its use of nonstandard scheduling, in that sport consumers participate in sport and/or leisure activities outside of daytime and/or weekday hours after they finish their work during standard hours.

More than 53 percent of contingent workers were employed in the service industry. In fact, the proportion of non-standard workers in manufacturing has remained relatively stable while the use of non-standard workers in service industries has risen dramatically, such that 87 percent of non-standard workers are now employed in service industries (Mabert and Showalter, 1990). Contingent work should be especially attractive to individuals with family responsibilities (frequently and traditionally women) who require flexible work hours. Contingent work should also be attractive to professionals who are attending school (typically, younger individuals) to improve their skills or to obtain advanced degrees.

Although the need for flexible manpower strategies leads organizations to prefer contingent employment, contingent employment can also be introduced in order to weaken the power of a labor union or keep it out altogether since the features of irregular jobs, whose work hours and places are different from those of regular jobs, make it difficult to build up strong organizing ability. However, this is also eventually part of efforts to insure the flexibility of business and manpower management.

Organizations have pursued flexibility in two ways (Kalleberg, 2001). The first is functional flexibility. Functional flexibility, a management strategy mainly applied to core labor, is embodied in practice in various forms such as job enlargement, job enrichment, quality circle, self-managed team, and inventory management technique. For this strategy to succeed, it should be preceded by the devotion of core labor, continuous training, and accumulated technology and experience. Through this functional flexibility, the distinction between core and peripheral labor continues to be reinforced and specialization of the labor market becomes fixed. The second approach is numerical flexibility. This management strategy, which can be found in both external and internal labor markets, achieves flexibility in external labor markets by adjusting employment in tandem with changes in economies or management, and this results in various forms of layoffs and contingent employments such as temporary, contract, and part-time labor. Numerical flexibility as a management strategy applied to peripheral labor inside a company causes instability of employment by generalizing an employment contract different from the traditional employment type and thus channeling the risk that employers used to bear into individual labor.

When organizations seek to achieve labor flexibility, they adopt both the above management strategies at the same time. Atkinson (1984) explained the flexibility of the labor market, assuming the “core-peripheral model” as the labor strategy of companies. According to him, the target of functional flexibility strategy is mainly core labor. Companies make investments in core labor like providing a high level of education programs while engaging in flexible labor systems and practices. Core labor means full-time regular and long-term employment whereas peripheral labor means contingent employment such as part-time, temporary, short-term, and externally employable jobs.

Increased reliance on contingency workers results in an economy divided into core and peripheral workers by income, job security and access to human resource development
opportunities. Others hold that contingent work provides greater workforce flexibility and reduces wage and benefits costs while creating job opportunities for a diverse workforce.

Some have argued that being part of a contingent work arrangement consigns a person to the bottom of the economic ladder, where the worker experiences frequent job changes and has little economic security and no hope of economic advancement. Further, proponents of this position argue that, as a result of the apparent growth in the number of contingent workers, the economic hardship associated with these types of jobs is increasing. Others argue, by contrast, that contingent employment offers individuals pathways into the labor market that they otherwise would not have, as well as flexibility that helps them balance work with other, non-labor-market obligations. Without contingent work arrangements, these observers insist, individuals with poor access to jobs or with conflicting needs would either be unemployed or drop out of the labor force altogether. Proponents of contingent work arrangements also go so far as to argue that some contingent work arrangements, such as temporary help service employment, offer individuals more stable employment and greater chances for upward job mobility than they would be able to obtain on their own. Implicit in the discussion of the growth of contingent work arrangements and their effect on individuals’ labor market prospects is the notion that the job market has undergone a fundamental shift in the last several years. The importance of internal labor markets, it is argued, has declined, and employers have altered the ways they hire and fire workers.

**Pros and cons of contingent employment**

The reason why organizations came to prefer contingent employment is that the need for cheap and flexible manpower has increased. Reduction of labor costs and flexibility of employment are the main reasons why organizations employ contingent workers. In some cases, however, contingent employment is exploited to avoid personnel control or weaken the labor union and to protect core personnel or secure professional personnel of whom the supply is insufficient in the labor market.

Maintaining and cultivating regular manpower generates significant costs, which include not only wages but also fringe benefits and expenses for recruiting, hiring, training, and socializing. Thus by employing contingent workers, organizations can reduce such expenses. And also contingent workers do not entail an automatic labor cost increase from continuous service, providing another cost-reducing factor. The compensation for contingent employees who perform the same jobs as regular ones is generally lower. This compensation difference is not only from wages but also from various fringe benefits and retirement payments which are generally not available or are lower for contingent workers.

It is often difficult for organizations to hire professional manpower in the labor market because the supply of professional manpower is not enough since it takes a long time to train employees, while the types of manpower needed frequently change due to changes in technology or technological strategy. Therefore, with its less-restricted work hours and places, contingent employment is used to insure professional manpower. Contingent employment is also adopted by companies which are seeking professional manpower as companies recognize that the types of professional manpower needed can easily change. Technological development and change often requires new technology professionals rather than the existing ones, so simple training for newly required professional technology cannot keep up with ever-changing markets or technologies.

There are many studies on the positive effects of contingent employment from various perspectives. Matusik and Hill (1998) argued that contingent employment was adopted for
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cost reduction but it can play a positive role in introducing people into the organization, forming them, and accumulating new knowledge. According to them, contingent employment allows companies to have easy access to professional or ever-changing knowledge that they do not possess in-house, giving them a competitive advantage that would not be available otherwise. Storey et al. (2002) similarly argued that contingent employment can have a positive effect on innovation. According to them, contingent employment can bring about novel progress and innovation by stimulating the desire for change among already-hired employees as well as opening the door to up-to-date knowledge and technology.

Other scholars, on the other hand, have directly mentioned the possible negative effects of contingent employment on organizational efficiency. They all pay attention to the possibility that cost reduction or efficiency improvement may not be realized in practice, contrary to expectations. Nollen (1996) suggested that employers overestimate the merits of contingent employment while underestimating its demerits. Allan (2000) pointed out the possibility that employers may not be able to consider mid- and long-term hidden costs caused by contingent employment, which became common for cost reduction. According to him, contingent employment can negatively affect work relations, motivation of employees, and quality of products. Analyzing the psychological effect of contingent employment on work relations of existing employees, Pearce (1993) empirically proved that the introduction of contingent manpower generates a higher workload for existing employees and thus decreases their organizational loyalty.

Critics of engagement in diverse employment types present the following points for their arguments. First, contingent employment alone is the tip of an iceberg because as it is expanded it can generate much more serious problems compared with regular employees, including employment instability and worsening pay and work conditions. When organizations adopt contingent workers while holding back new hiring of regular employees, pay and work conditions naturally worsen and employment instability increases. Second, there will be many problems with protecting contingent workers. The existing employee protection schemes were designed for regular workers, thus contingent workers generally remain outside the schemes. Consequently contingent workers tend to suffer inferior conditions to their regular counterparts in terms of labor intensity, pay level, and employment instability. Furthermore, staying outside the labor union, contingent workers cannot be protected by union action either. Third, the spread of contingent employment is highly likely to weaken the labor movement. Contingent employment, whose status is unstable and which is difficult to organize, tends to lower the negotiation power of the union for wage and work conditions.

Fourth, it is a false argument that contingent employment is a voluntary choice accompanying the pattern change of labor supply. Assisting their household incomes, most contingent workers, such as housewives or juveniles, accept low wages, poor work conditions, and unstable employment. Though it is true that there is a change in the pattern of labor supply, it is doubtful whether this can fully explain the "voluntary" rise of contingent employment. Most contingent workers involuntarily maintain their status due to their lack of chances in the labor market. Fifth, the argument that the expansion of contingent employment is helpful in improving the productivity of companies and national economies does not ring true. By and large, contingent employment represents lower productivity, more training costs, and more supervision costs. Contingent workers are prone to be less bonded to their organizations, less self-motivated, and less skilled. Therefore, even with its low direct labor costs, contingent employment is not necessarily advantageous to companies given its low productivity.
Outsourcing

Another phenomenon, which stands out in the labor market and employment since the 1980s along with the flexible labor market, is outsourcing. Recent reports of organizational downsizing, the growth of temporary help agencies, and the phenomenon of outsourcing have fueled the perception that the number of contingent workers and workers in alternative work arrangements is increasing. The term outsourcing can be traced back to the information system jobs that Electric Data Systems used to perform on its own inside the company but consigned to the outside from the end of the 1970s to the beginning of the 1980s. Companies use outsourcing because from the transaction expense perspective it is more cost-effective to consign specialized activities to the outside rather than carrying them out in-house due to the development of scientific and information technologies.

Outsourcing originated in information technology (IT), where technology advances fastest at the outset, and was put to use as a restructuring method with a view to slashing information systems expenses until the mid 1980s (Deavers, 1997). The purpose of outsourcing, however, has changed from decreasing costs to taking a strategic position for competitive advantage as the range of outsourcing works has expanded from information systems to accounting, personnel management, and peripheral jobs with insignificant values from the end of the 1980s. Recently outsourcing has spread rapidly even in direct production facilities and manpower.

Organizations now consider outsourcing an efficient way to raise their productivity (Quinn and Hilmer, 1994; Deavers, 1997; Kessler et al., 1999). The concept of strategic outsourcing was created when the American economy launched large-scale employment adjustment and restructuring such as selling businesses in the period of long-term recession in the 1980s. The concept is an attempt to restructure organizational resources and organization centering around core competency by integrating core competency theory, which came into the spotlight as a new strategic theory at the time along with traditional outsourcing.

Quinn and Hilmer (1994), who broadened the theoretical foundation of strategic outsourcing, argued that technology and resources for other strategies will become available to organizations by combining the two approaches and methods, core competency and outsourcing. According to them, firstly, companies should create a competitive advantage that can continuously provide unique values to customers by focusing on technology and knowledge rather than on function or product; and secondly, companies should outsource minor jobs that do not require important strategy or special capacity even though such jobs were traditionally executed in-house.

As can be seen from the existing studies on outsourcing of manpower, outsourcing of peripheral functions does not necessarily have only positive effects even if it arises from a strategic judgment. It can lead employees who are used to traditional production systems to confusion, and can have serious effects on the morale and work desire of constituents. Thus, expenses and risks associated with outsourcing should be carefully pondered (Quinn and Hilmer, 1994). In addition, analyzing the effect of global outsourcing strategy on organizational efficiency for multinational companies, Elmuti and Kathawala (2000) empirically proved that methodical and appropriate outsourcing can improve organizational efficiency.

References

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