

Competitive workforce structures

seven, although some were as high as 14. By the early 2000s this was reduced to less than five. The main advantage of delayering is the savings made from laying off expensive managers. It may also lead to better communication and a better motivated staff if they are empowered and allowed to make their own decisions.

However, remaining managers may become demoralised after delayering. Also staff may become overburdened as they have to do more work. Fewer layers may also mean less chance of promotion.

Flexible workforces

In the 1950s and 1960s, the UK economy was relatively stable and slow changing. Workers tended to have full-time permanent jobs. However, in the 1970s and 1980s, economic conditions worsened. Primary and secondary industry saw enormous change. Many businesses in these sectors became uncompetitive against foreign firms and closed. There was a rapid shift of output and employment towards the tertiary sector. There was a considerable increase in participation of women in the labour force. Part-time work became far more common.

It was against this backdrop that, in 1985, John Atkinson and the Institute of Manpower Studies put forward the concept of a flexible firm. This was a business which had a 'core' and a

'periphery'.

- The core was made up of workers who organised the essential tasks necessary for the firm's survival. They would tend to be skilled, full-time workers on permanent contracts. Because of their job security, their relatively high pay and their importance to the business, they would tend to be highly motivated.
- The periphery was made up of a variety of workers not central to running the business. They could be employed according to how much demand there was for the firm's products. They could include temporary workers ('temps') on short-term contracts and part-time workers whose hours can easily be increased or decreased. They would also include workers whose jobs had been **OUTSOURCED** to other businesses. This would include self-employed workers who were paid by the business for doing specific jobs. They might also include **teleworkers** or **home workers**, working from home and operating mainly via computer and email link. It is sometimes argued that peripheral workers are motivated mainly by the pay they receive. Their loyalty to the business employing them is not as great as core workers, since they have insecure jobs and never know whether they will still be in work in 12 months' time.

One of Charles Handy's key concepts is the 'cloverleaf organisation', later called the 'shamrock organisation'. This suggests that there a small core at the centre of a system of 'leaves', made up of outsourced workers, contractors, consultants and temporary workers. The theory has close parallels with Atkinson's flexible firm.

Question 1.

In 2003 The Future Network plc, the international specialist magazine publisher, announced the final stages of the restructuring of its UK business, which began in February 2001. Under the reorganisation plan, Future divided its UK business into three operating divisions – games, computing and entertainment. This was to be accompanied by a reduction in fixed operating costs in the UK by approximately £4 million, through cuts in staffing levels and property overheads.

The changes to the business involved reductions in centralised support services, and in Internet and magazine teams and rationalisation of the company's property portfolio. There was also to be an important change in the way the UK business was managed, by devolving operational responsibility to the individual divisions as profit centres.

Colin Morrison, Chief Operating Officer of The Future Network, said 'This plan is important because of the substantial reduction in our fixed operating costs against a broadly unchanged magazine portfolio. But much more than that, this restructuring and decentralisation plan simplifies our business, and will improve our focus, agility and control. We will now be more streamlined and much better placed to take advantage of our market-leading positions in the important UK market'.

Source: adapted from www.thefuturenetwork.plc.uk.

- Describe the organisational changes at The Future Network plc.
- Examine the possible benefits and disadvantages for the business of these changes.

Figure 1: Organisation of the flexible workforce

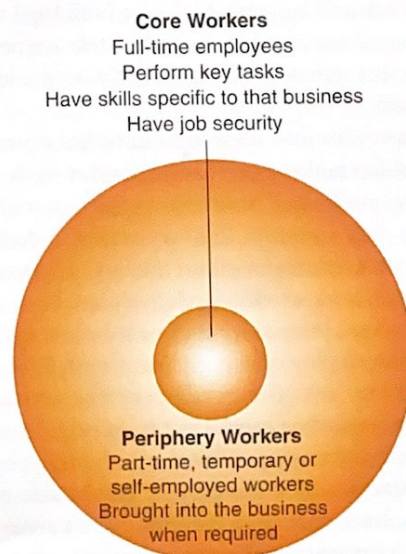
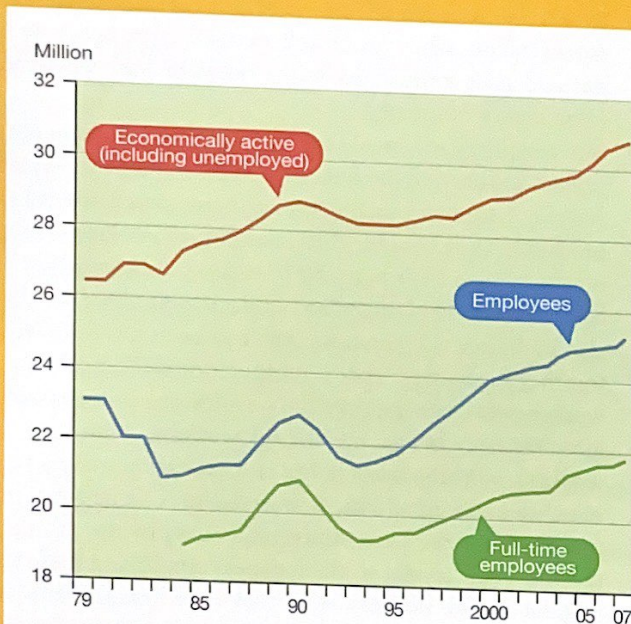
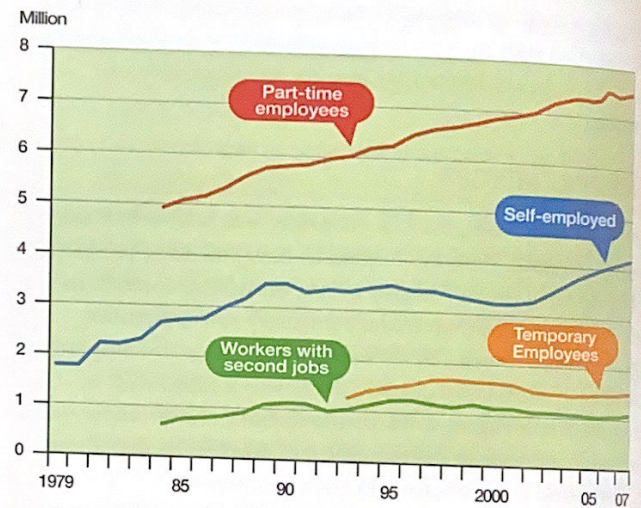


Figure 2: Economically active, employees and full-time employees, UK, millions



Source: adapted from <http://www.statistics.gov.uk/statbase/tsdtimezone.asp>.

Figure 3: Self-employed, part-time employees, workers with second jobs and temporary employees, UK, millions



The advantages and disadvantages of flexible working for businesses

There is a number of advantages of a FLEXIBLE WORKFORCE for a business.

- A flexible workforce allows a business to expand and contract quickly in response to changes in demand for its products. In contrast, a workforce made up of permanent staff is difficult to slim down quickly because of the cost and because of the time it takes to fulfil legal requirements. Businesses may also be reluctant to take on new permanent staff in case demand falls again and they are left with too many staff.
- Some specialist jobs need to be done but it would be wasteful to employ a permanent worker to do them. For example, most small businesses employ accountants to manage their accounts. It is far cheaper to do this than to employ an accountant within the business because the amount of work needed is relatively small.
- In some cases, temporary staff or subcontractors are cheaper to employ than permanent staff. For example, a business may not offer certain benefits to certain staff, although it must be careful not to infringe legislation. If the temporary staff are treated as self-employed or subcontractors, the business may also be able to save on National Insurance contributions. It isn't always cheaper to employ temporary staff and in some cases it may be more expensive because temporary staff or their agencies are able to bid their pay upwards. But temporary staff can be

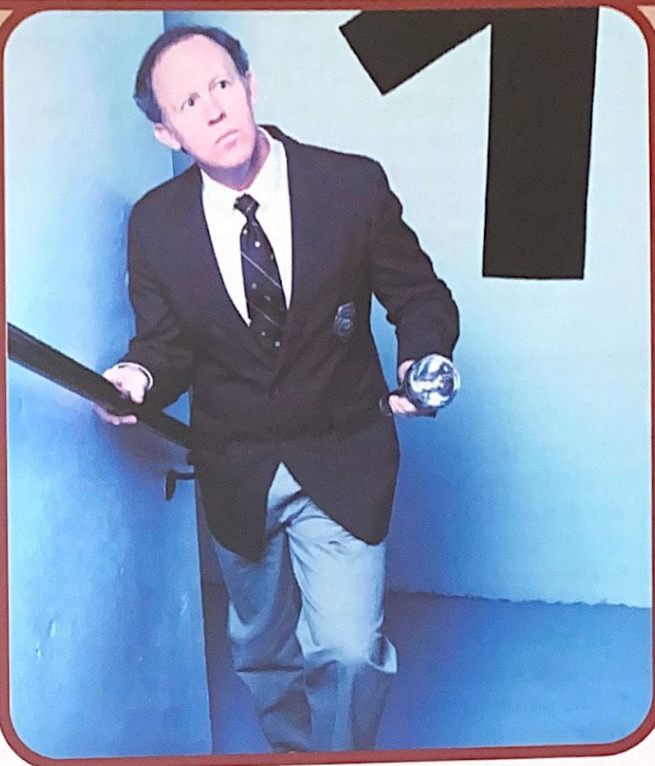
laid off almost immediately they are not needed with little cost, which is not the case for permanent staff.

- Employers are responsible for training their permanent workers. By outsourcing work or employing temporary workers, businesses may be able to pass that cost onto subcontractors or whoever has paid for the training of a temporary worker.
 - Employing workers who can job share or work flexible hours may allow a business to operate more efficiently. For example, a business may be able to employ an employee in the day and another in the evening to respond to clients' needs over a longer period. A restaurant may be able to react to increased orders by asking staff to work longer hours at certain times of the week than others.
- However, using peripheral workers has its disadvantages.
- Peripheral workers may have less loyalty to the business where they work temporarily. They may be motivated mainly by financial gain.
 - Some businesses have found that their outsourced work has been of poor quality, damaging their reputation with customers. The peripheral workers move on and don't have to take responsibility for the poor work. But the business may have lost customers as a result.
 - Communication can be a problem. Peripheral workers are not necessarily available when the business would like to communicate with them, although IT and the mobile phone has to some extent solved this problem.
 - Employing peripheral workers can be a costly process. For example, a business may put a piece of work out to tender

Question 2.

Colin Traynor, the owner and then manager of Castle Gate Hotel, decided ten years ago to slim his workforce to a minimum and buy in services wherever possible. Twenty two of his fifty permanent staff lost their jobs as work was outsourced. His hotel has a seasonal trade. In July and August, the hotel is fully booked. During the rest of the year, occupancy can fall to as low as 50 per cent despite the hotel being popular with business people and being used as a conference centre. He quickly moved to a model where he employed enough permanent staff to run the hotel at its minimum occupancy levels in the winter and then hired casual labour to cope with the rest of the year. Jobs like laundry, which used to be done in house, were subcontracted to a local firm. Two of the workers in the accounts team lost their jobs and were re-employed by the day as and when they were needed. The marketing of the hotel was contracted out to a local business.

This year, Colin retired and management of the hotel passed to his daughter, Emma. For a long time, she had felt that the quality of service provided by the hotel to its customers was not good enough. Casual staff employed for the peak of the season often showed a lack of knowledge and a lack of commitment. Too much of her time was spent recruiting casual staff. Permanent staff were resentful of casual staff because they were always 'sorting out the mess' created by casual staff. Absenteeism amongst permanent staff was high. Emma was also unhappy with the marketing contract. It was very expensive and she questioned whether the marketing was very effective.



(a) Assess the possible advantages and disadvantages to Castle Gate Hotel of flexible working.

to a subcontractor. It might get the lowest price as a result, but the efficiency gains from putting it out to tender rather than hiring core permanent staff to do the job might be more than outweighed by the costs of the tender process itself.

- Temporary staff can be excellent, well qualified and highly motivated. But equally, some temporary staff are simply workers who have found it difficult to hold down a permanent job. When employing temporary staff, there is no guarantee that they will perform their job as well as would have a permanent member of staff.
- Too many peripheral workers employed alongside core workers can cause demotivation amongst the core workers. Core workers may want to be part of a stable team to form relationships and fulfil some of their higher order needs. Constant turnover of peripheral workers may lead to core workers feeling disorientated.

The impact of flexible working on workers

There are many ways in which workers are affected by flexible work practices. Such practices can affect temporary, part-time or subcontracted employees. However, they might also affect full-time, permanent employees at times.

- For those on temporary contracts and the self-employed, flexible working brings greater insecurity. Temporary

workers can lose their jobs at short notice. The self-employed can lose contracts or business overnight. But even workers on permanent contracts face greater uncertainty. They can find themselves being made redundant and their jobs outsourced to a contracting firm. Equally, they can find their pay fringe benefits, such as pensions, and conditions of work worsen to make them 'more competitive' against flexible workers. Insecurity makes most individuals less happy and content and is therefore generally undesirable.

- A more flexible labour force is one where workers can expect their earnings to go down as well as up. It is one where there might be periods of no income coming into the household. It is also one where the individual worker can't expect employers to provide them with a pension. The individual worker therefore must plan to cope with this by saving more and investing in their own personal pension scheme.
- Flexible workers must be prepared to adapt and retrain to a changing job market. A self-employed photographer who finds she can't make a living out of photography may have to find another line of work to survive. Permanent workers are, to some extent, cushioned from this because their employer may pay for retraining and reassign them to other jobs within the business. A flexible market highlights

the need for **lifelong learning** on behalf of workers.

- Flexible workers must be prepared to move quickly from job to job. They must also be prepared to become **PORTFOLIO WORKERS**. These are workers who don't have a single full-time job but a mix of part-time jobs. A worker might have a cleaning job in the morning and work behind a bar in the evening. Or an individual may do consultancy work for ten days a month, and be a part time non-executive director for one company for six days a month and for another company for four days a month.

Flexible working in the UK

The UK government has increasingly encouraged the growth of flexible working in the last 20 years. Legislation has been introduced to encourage flexible work time, for example. However, it could be argued that it has had limited success as shown in Figures 2 and 3.

- The number of self-employed workers in 2007 was 4.2 million, only slightly higher than in 1990. The growth in self-employment came in the 1980s when it rose from 1.8 million in 1979 to 3.5 million in 1989.
- The number of part-time employees has grown significantly, mainly due to the increased number of women in the workforce. Even so, by 2007, part-time workers represented only one quarter of those economically active.
- The number of portfolio workers (workers with second jobs) has also grown. But in 2007 there were still only 1.1 million such workers, just 3 per cent of those economically active.
- The number of temporary workers has also grown, but in 2004 there were only 1.5 million such workers, just 5 per cent of those economically active.

Most workers today are still on permanent full-time contracts and this is likely to remain so for the foreseeable future. Whilst some industries, such as construction, might have fairly flexible workforces, others such as manufacturing are likely to remain with more traditional work practices.

Flexible working and the Employment Act, 2002

The term 'flexible working' can be used in a different way to the one described above. In the **Employment Act, 2002**, the government gave employees the right to request more flexible working patterns from their employer. Flexible working is then seen as ways in which the employer can give employees choices about when they work. Areas covered by flexible working then include:

- the ability of workers to choose when they start their day and when they finish;
- giving choices about which days of the week an employee works;
- options to move from full-time to part-time working and

back again;

- maternity and paternity rights;
- opportunities to take periods of time out for an extended holiday or to look after a child;
- opportunities to job share.

The government argues that flexible working improves productivity. By giving workers greater control over their **work-life balance**, it motivates them to work harder. Labour turnover is also reduced because workers don't have to leave their jobs if their circumstances change and they have to alter their working hours. Reduced labour turnover saves the business the cost of recruiting and training new workers. It also helps retain staff who have received expensive training.

However, many smaller businesses argue that they don't have enough staff to make flexible working practical. If there are only three staff in a business, it may be impossible for one of them suddenly to start working different hours from the other staff. Equally, some aspects, such as better maternity and paternity rights, simply add to the costs of the business.

Knowledge management

Many businesses today see **KNOWLEDGE MANAGEMENT** as important to their operation. It involves:

- identifying the knowledge of a business, such as the knowledge of employees;
- assessing how the knowledge can be used and planning how to use it effectively;
- ensuring that knowledge is shared by all people in the organisation.

The management of knowledge can have a number of benefits for a business. The speed at which a business gains knowledge and puts it to good use is one way in which it can gain an advantage over its rivals. For example, Sky was the first company to launch digital television in the UK. It could be argued that this will give it an advantage in future as many customers will have 'signed up' and be unwilling to change to another supplier.

It may also prevent a duplication of services. For example, ICL found that several of its businesses were bidding for the same project at the same time without each knowing about the others' activities. It also found 23 different uncoordinated information services for employees, often providing the same information. Knowledge management could have prevented this waste of resources.

Sometimes people leave a business and take years of knowledge and experience with them. It often exists 'in the head' of the employee, who has found the best way to carry out a task or the most suitable skills to use. Making sure that this knowledge is collected and passed on may prevent problems for new employees to the job. It will also reduce time and costs for the business.