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NONSTANDARD EMPLOYMENT RELATIONS: Part-time, Temporary and Contract Work

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■ **Abstract** Nonstandard employment relations—such as part-time work, temporary help agency and contract company employment, short-term and contingent work, and independent contracting—have become increasingly prominent ways of organizing work in recent years. Our understanding of these nonstandard work arrangements has been hampered by inconsistent definitions, often inadequate measures, and the paucity of comparative research. This chapter reviews the emerging research on these nonstandard work arrangements. The review emphasizes the multidisciplinary nature of contributions to this field, including research by a variety of sociologists, economists, and psychologists. It also focuses on cross-national research, which is needed to investigate how macroeconomic, political, and institutional factors affect the nature of employment relations. Areas for future research are suggested.

INTRODUCTION

Nonstandard work arrangements—such as part-time work, temporary employment and contract work—have become an important topic in research and writing on work and employment relations. Nonstandard employment relations (Goldthorpe 1984, Casey 1991, Green et al 1993, Kalleberg et al 2000) have also been referred to as alternative work arrangements (Polivka 1996a, Sherer 1996), market-mediated arrangements (Abraham 1990), nontraditional employment relations (Ferber & Waldfogel 1998), flexible staffing arrangements (Abraham 1988, Houseman 1997), flexible working practices (Brewster et al 1997), atypical employment (Córdova 1986, Delsen 1995, De Grip et al 1997), vagrant or peripheral employment (Summers 1997), vulnerable work (Tregaskis et al 1998), precarious employment (Treu 1992), disposable work (Gordon 1996), new forms of employment (Bronstein 1991), and contingent work (see Polivka & Nardone 1989, Belous 1989).

These labels have in common their identification of employment relations that depart from standard work arrangements in which it was generally expected that work was done full-time, would continue indefinitely, and was performed at the employer's place of business under the employer's direction. Standard work

arrangements were the norm in many industrial nations for much of the twentieth century and were the basis of the framework within which labor law, collective bargaining, and social security systems developed.

Changes beginning in the mid-1970s created conditions that led countries, organizations, and workers to search for greater flexibility in employment. Consequently, the standard employment relationship began to unravel (Rubin 1995, Cappelli et al 1997, Cappelli 1999). Global economic changes increased competition and uncertainty among firms and put greater pressure on them to push for greater profits and to be more flexible in contracting with their employees and responding to consumers. Sluggish economic growth triggered high unemployment that made it clear, especially in Europe, that economies were incapable of generating enough jobs to provide full-time wage employment for all workers (Córdova 1986). The adoption of nonstandard work was facilitated by technological improvements in communication and information systems that made it easier for organizations to specialize their production, assemble temporary workers quickly for projects, and rely more on outside suppliers. Labor laws designed to protect permanent employees also fueled the growth in nonstandard work by encouraging employers to avoid the mandates and costs associated with these laws (Lee 1996, Cappelli et al 1997). So too did demographic changes in the composition of the labor force, such as the increase in married women workers and older workers, who often preferred the flexibility available through nonstandard work arrangements (Pfeffer & Baron 1988).

Nonstandard employment relations are not new. There have always been work arrangements that did not fit the model of full-time work, and history is replete with examples of peripheral labor forces and flexible labor markets in which work is unstable and temporary (Morse 1969, Peck 1996, Summers 1997). For instance, in the inside contracting system that existed in the United States in the nineteenth century, management provided machinery and space in the factory, supplied raw material and capital, and arranged for the sale of the product while contractors were responsible for production and hired the workers and paid and supervised them (Butrick 1952). Employers have a choice between organizing work in markets or hierarchies (Williamson 1980). The efficiencies associated with organizing work in standard, hierarchical employment relations and internal labor markets in the post-World War II period may have been more of an historical irregularity than is the use of nonstandard employment relations.

This review surveys recent theory and research on the major kinds of nonstandard work arrangements: part-time work, temporary agency and contract company employment, short-term employment, contingent work, and independent contracting. The literature on these topics is multidisciplinary and includes research by sociologists of work, organizations, occupations, labor markets and social stratification, as well as by economists and psychologists. This review does not cover nonstandard work arrangements such as home working or telecommuting; employee ownership of companies; flexible scheduling such as flextime, job-sharing, home-based work, and compressed workweeks; or clandestine activities such as

undeclared, illegal, or family work. An effort has also been made not to cover the material on nonstandard work previously reviewed by Smith (1997).

PART-TIME WORK

Definitions, Incidence, Trends

Part-time work is usually defined as regular wage employment in which the hours of work are less than "normal" (Thurman & Trah 1990). In the United States, part-time work is generally defined as less than 35 hours a week. This definition varies across countries. Canada and the United Kingdom normally use 30 hours as the cutoff for part-time (Kahne 1992). In France, part-time is defined as at least 20% below the statutory level of working hours (which became 35 hours on January 1, 2000), while in Germany it is less than 36 hours of work per week (Houseman 1995). By contrast, part-time employment in Japan is explicitly related to status within the firm and not to hours worked; indeed, recent Japanese surveys indicate that 20–30% of those classified by their employers as "part-time" actually work as many hours as "full-time" workers (Houseman & Osawa 1998).

Nearly one in five workers in the United States currently works part-time, making it by far the most widely used form of nonstandard work. [Part-time work also overlaps with other forms of nonstandard work, such as temporary work. Casey (1991) found that 54% of temporary workers in his British sample worked part-time.] The proportion of part-timers in the United States increased gradually from 13% in 1957 to 19% in 1993, with most of the growth coming before 1980 (Tilly 1996). This percentage has decreased slightly since the mid-1990s, though changes in the measurement of part-time work by the Current Population Survey (CPS) in 1994 have hampered assessments of trends since then (Nardone 1995). Part-time work has historically increased during economic recessions and decreased during economic expansions as those desiring full-time work are better able to obtain it (Sightler & Adams 1999).

The incidence of part-time work in Europe is slightly lower than in the United States, with an average of about 16% of the European Union's total labor force working part-time in 1996 (Fagan 1999). There is, however, wide variation among countries (Bosch et al 1993). In the Netherlands, about 38% of the labor force, and 69% of women, work part-time, leading Freeman (1998:2) to characterize it as the "only part-time economy of the world, with a finger in the dike of unemployment." Part-time employment is also relatively common in Scandinavia (with the exception of Finland), with over 20% of the labor force working part-time. By contrast, part-time work constitutes relatively small proportions of the labor force in Greece, Spain, Portugal (DeGrip et al 1997, Tregaskis et al 1998), and Italy (5% overall, 3.5% of women) (Thurman & Trah 1990). Unlike in the United States, part-time employment is increasing relatively rapidly in Europe, where it has been used as a way to alleviate unemployment and is the major source of employment growth since the 1980s (Brewster et al 1997). Again, there is wide variation

among countries: Part-time employment has increased particularly rapidly in the Netherlands and Austria (increases of about 65% and 114%, respectively, since 1985) (Fagan 1999).

In all industrial countries, most part-time workers are women (Blossfeld & Hakim 1997, Fagan & O'Reilly 1998). This reflects in part women's greater responsibilities for housework and raising children. Women's share of part-time employment in the United States (about 65%) is much lower than in Germany and France (about 90%) and in the United Kingdom and Japan (about 80%). The lower proportion of women part-timers in the United States may reflect the greater incidence of part-time work among students, both male and female.

Demand for Part-time Jobs

Most of the increase in part-time work before 1970 in the United States was due to the growth of voluntary part-time work, mainly among women and young people who wanted to work part-time. Since 1970, virtually all of the increase has occurred among those who would prefer full-time work (i.e., "involuntary" part-timers), who currently make up about one quarter of part-timers (Tilly 1996). The overall incidence of voluntary part-time employment has not changed since the early 1970s, though the composition has changed (e.g., women aged 22–54 are less likely to be voluntary part-timers, while workers aged 16–24 and men over 55 are more likely to work part-time voluntarily) (Nardone 1995). Stratton (1996) found substantial evidence that those classified as involuntary part-time do indeed work part-time involuntarily.

Part-time work in the United States and other countries (such as Japan—see Houseman & Osawa 1998) in recent years has thus changed from an activity that mainly accommodates the needs of the workforce for shorter hours to one that meets employers' needs and preferences for such things as lower costs and more flexible staffing. This makes it important to study the demand for part-time work, by examining industry and organizational differences in the use of part-timers (Tilly 1996, Houseman 1997).

Employers have been motivated by cost-containment to use part-timers, since typically they cost less in wages and particularly in fringe benefits (though see Larson & Ong 1994). A substantial fraction of the recent increase in involuntary part-time workers is the result of legislation (such as the Federal Family and Medical Leave Act of 1993), which increases the cost to employers of full-time relative to part-time workers (Stratton 1996). Differences among industries in compensation, particularly health care provision, have a significant effect on the distribution of part-timers across industries (Pitts 1998). Montgomery's (1988) analysis of over 4500 US establishments found that larger establishments had lower proportions of part-timers, which he attributes to part-timers constituting higher quasi-fixed labor costs (e.g., recruiting and training costs) in larger establishments.

Employers also use part-timers to meet staffing needs (Thurman & Trah 1990). Part-time employment is flexible since it can be relatively easily decreased or

increased and can be moved to a different time during the day. The health care industry, for example, has long used part-timers among both lower-level and professional jobs (nurses) as a way of staffing hospitals twenty-four hours a day, seven days a week (Sightler & Adams 1999). Zeytinoglu (1992) found that unionized organizations in Canada used part-timers primarily because of the flexibility they provided (for both employers and workers), rather than to save wages and benefits.

The growth in part-time work in the United States since 1979 appears to have been due to the expansion of industries that typically employ many part-timers (services, retail trade, finance, insurance, real estate) rather than to the substitution of part-time for full-time workers within industries that occurred mainly in the 1970s (Appelbaum 1992, Nardone 1995). The growth of part-time employment has similarly accompanied the expansion of the service sector in other industrial countries (Houseman 1995).

Good vs. Bad Part-time Jobs

Most studies have shown that part-timers in the United States usually earn less per hour than full-timers, even after controlling for education, experience, and other relevant factors (Tilly 1996, Ferber & Waldfogel 1998). Part-timers also obtain lower wage returns relative to experience (Corcoran et al 1984) and seniority (England et al 1999) than do full-timers. An exception is Blank's (1990) analysis, which found that part-time women earned more than equivalent full-time women, after controlling for selection into the labor market and part-time work. Part-timers in the United States also receive fewer fringe benefits than full-time workers do. Despite differences in wages and fringe benefits, part-timers are often as likely as full-timers to regard work as a "central life activity" and are equally committed to their organizations (Kalleberg 1995).

Part-time jobs and workers are heterogeneous (Feldman 1990, Tilly 1996). This heterogeneity has been characterized by some writers as the dualism of part-time work. Kahne (1992), for example, argued that part-time work is both "a hope and a peril," encompassing both good jobs ("new concept" part-time jobs that are often used to retain valued professional employees such as librarians, teachers, editors, and nurses) and bad ones that have low wages and few benefits. Similarly, Tilly (1996) applied dual labor market theory to the analysis of part-time work, distinguishing between retention and secondary part-time jobs.

Part-time work in Europe is often associated with marginal employment in low-paid, low status jobs (such as sales, catering, and cleaning). There is, however, also some growth of higher-level part-time jobs in some countries. There are also country differences in whether the use of part-timers represents a marginalization strategy that provides employers with a source of cheap labor or an integration strategy used to retain valued workers. One source of difference among countries is related to labor law and employment regulations such as job security entitlements. In some countries (Sweden, France, Belgium, The Netherlands, Spain), labor law enforces equal treatment between full-time and part-time workers (Thurman &

Trah 1990), preventing the use of part-time workers as a cheap labor source. By contrast, in the United Kingdom, Germany, and Japan, part-time employees' hours or income generally fall below thresholds that exclude them from coverage under certain laws (Houseman 1995, Fagan & O'Reilly 1998).

EMPLOYMENT INTERMEDIARIES

Some nonstandard employment relations involve the externalization of administrative control and responsibility (Pfeffer & Baron 1988). This creates "detached" workers (Summers 1997) or "triangular" employment relations where a worker establishes connections with several employers (Córdova 1986, Bronstein 1991, Vosko 1997). Examples of such nonstandard work arrangements include temporary help agency, leased, and contract company employment.

Temporary Help Agencies

Temporary help agencies employ workers and send them out to customers to work on an hourly basis at the client's premises and direction. These agencies recruit and screen employees, sometimes provide training, and are responsible for hiring and firing, issuing paychecks, withholding payroll taxes, and making required employer contributions to unemployment insurance and Social Security (Carey & Hazelbaker 1986).

The temporary help industry in the United States originated in Chicago during the late 1920s, with the first agencies supplying calculating-machine operators on a temporary basis. By 1956 there were still only about 20,000 employees in the temporary help industry (Gannon 1984). Since 1972, employment in the temporary help services industry has experienced explosive growth, increasing at an annual rate of over 11%, and its share of total US employment has risen from under 0.3% in 1972 to nearly 2.5% in 1998. By contrast, total nonfarm employment grew at an annual rate of 2% during this period (Segal & Sullivan 1997a, Laird & Williams 1996). Changes in temporary work exhibit much greater variance than do other forms of employment and are very sensitive to the business cycle, rising and falling with the state of the economy (Gannon 1974, Golden & Appelbaum 1992, Segal 1996).

Temporary help agencies are also growing rapidly in Europe (Bronstein 1991), though there is considerable variation among countries. Some nations feel that they are useful as employment intermediaries, while others object to them for reasons such as the principle that job placement should be done by public, not profit-making agencies. In the mid-1980s, temporary help agencies were authorized (subject to some restrictions) in Argentina, Belgium, Brazil, Denmark, France, Germany, Ireland, Japan, the Netherlands, Norway, Portugal, and Switzerland, among other countries. They were banned in Algeria, Costa Rica, Gabon, Greece, Italy, the Libyan Arab Jamahiriya, Madagascar, Mauritania, Senegal, Spain, Sweden, and Zaire (Córdova 1986: 657, note 16).

Demand for Temporary Help Agencies The growth of temporary help agency employment in both the United States and Europe has been generally driven by employers' needs (De Grip et al 1997), as well as by the entrepreneurial efforts of temporary help agencies themselves (Ofstead 1999). Golden & Appelbaum (1992) found that the two-and-a-half times increase in the level of temporary help employment between 1982 and 1988 was due mainly to demand-side forces and employers' needs rather than the supply of labor. Golden (1996) found this as well for 1982–1992, a period when employment in the temporary help industry in the United States more than tripled. Laird & Williams (1996) found that supply (increase in married women workers) as well as demand variables contributed to the observed growth in the temporary help service industry between 1982 and 1992. [Golden (1996) also found that the proportion of married women in the labor force was positively related to temporary help agency employment levels, but its impact was dwarfed by the effects of demand-side variables.] However, Segal & Sullivan (1997a) point out that the rise in women's labor force participation is probably not a driving force behind the growth in temporary agency employment because much of this has come from increased male participation in temporary work. Moreover, studies of the preferences of temporary workers have found that most (e.g., 60%—Cohany 1998) work in temporary jobs involuntarily.

Temporary help agencies constitute a modern-day “reserve labor army” that helps employers to solve problems associated with understaffing as well as overstaffing positions with expensive full-time, permanent workers who may not be utilized. By using temporaries, employers can staff minimally and then add temporary employees on an as-needed basis. In support of this hypothesis, Houseman (1997) found that the seasonality of employment demand was positively related to both the incidence and intensity of organizations' use of temporary help agencies (see also Abraham 1990). While companies have always used temporaries to help out with special projects or at busy times, temporaries tended to be peripheral to the company's main business. What appears to be new is that the use of temporaries has become an integral feature of firms' personnel strategy (Nollen 1996, von Hippel et al 1997) that enables them to respond to the business cycle and makes their workforce problems more manageable and less costly (Gannon 1974).

Organizations also use temporary help agencies to lower recruitment and screening costs, by hiring employees who perform well: Houseman (1997) found that 21% of the establishments in her sample said this was a reason for their use of temporary help agencies (see also von Hippel et al 1997). Organizations may also be able to reduce training costs through the use of temporary help agency workers, as is suggested by Krueger (1993), who reports the results of a survey that found that 62% of temporary help agencies trained clerical temps in the use of office software.

Major temporary help agencies are increasingly entering into long-term contracts with firms, suggesting further that the use of temporary workers has become a permanent strategy for them (Carnoy et al 1997). In many of these cases, the temporary help agency is really an extension of the client firm's human

resources department. Peck & Theodore's (1998) study of temporary help agencies in Chicago underscored the polarization that is occurring within the increasingly heterogeneous temporary help industry: Some agencies restructure down into the lowest-paid and lowest-skill parts of the labor markets, while others restructure up to establish long-term relations with clients that involve insourcing and on-site management deals. In the latter cases, the temporary help agency often takes over supervisory and performance monitoring functions for its employees at the client's site, helping the client to "manage hassle" and providing its employees with more secure employment.

Using temporary help agencies is not always a low-cost strategy, despite the average low wages and fringe benefits that employees of these agencies receive (see below). The total hourly cost to customers may be more for temporaries than for permanent employees (Carey & Hazelbaker 1986); in 1995, client firms paid, on average, 40% more for temporary workers' time (the temp agency's "billing rate") than these workers received as wages (Segal & Sullivan 1997a). Temporary help agencies may lower firms' costs, though, by providing them with a convenient way of creating a two-tier wage structure. Firms may wish to pay some, but not all, workers efficiency wages (wages above their market wage) and pay different kinds of fringe benefits to different kinds of workers. It may be illegal for firms to institute such differential compensation schemes with their regular full-time workers, but they can do so with their regular full-time vs. temporary workers (Segal & Sullivan 1997a). In support of this hypothesis, Moore (1965) found that high-wage firms were most likely to use temporary help agencies; Mangum et al (1985) found that the use of agency temporaries (who do not receive benefits) was greater in firms that had a higher fringe benefit cost structure; and Houseman (1997) found that establishments that provided more fringe benefits to their regular employees were significantly more likely to use temporary help agencies.

Control of Temporary Workers The defining characteristic of the temporary help industry is the triangular employment relationship (Córdova 1986, Moberly 1987, Gonos 1997, Vosko 1997), in which the temporary agency is the legal employer, while the client organization supervises the employee. This raises complex legal issues as to which organization is responsible for complying with governmental regulations and especially as to who is liable for accidents and other aspects of the employment relationship. These debates are often framed around principles of "joint employer" or "co-employment" (e.g., Axelrod 1987, Tansky & Veglahn 1995). One of the key factors that determine whether or not an organization is a worker's employer is the extent to which it supervises the worker's activity (Carnevale et al 1998). In order to avoid being considered a joint employer (and thus being liable for some employer responsibility), clients employing temporary help agencies (and contract companies) often use buffers to differentiate the way they treat contractors and regular employees (Jarmon et al 1998). The most severe buffer is time, specifying that the temp must leave after a fixed time period (Smith 2000).

The problem of control over temporary help agency workers is rooted in the need to manage individual workers dispersed over multiple job sites, since temporary

workers have multiple bosses and are separated from their co-workers. This control problem differs from those explained by theories that assume that wage work takes place at the employer's place of business (e.g., industrial models of bureaucratic control—Collinson 1987). Gottfried (1991) found that temporary help agencies developed a dualistic form of control characterized by both centralization and decentralization. This dualistic control process involved a process of selection and transmission of information, employee recognition programs, and maintenance of uncertainty to retain the temp agency's control between assignments. It also included a fragmented labor process at the client site that isolated temps from regular workers to prevent temps from internalizing norms of output restriction. Cohen & Haberfeld (1993) found that temporary help agencies could not monitor their workers directly. Hence, they relied either on professional credentials for occupations where performance can be assessed (bookkeepers) or steep wage progressions (albeit from a very low base) as incentives in cases where performance could not be assessed very accurately (clerks). Peck & Theodore (1998) showed how temporary help agencies may take over supervision and performance monitoring at the high end of the temporary help industry.

These problems of control make it difficult for unions to organize temporary help agency employees. Unless the client and temporary help agency (or contract company) are considered "joint employers," the client can fire employees of the temporary help agency (or contractor) for joining a union. In addition, the capacities for collective opposition against an employment system characterized by temporary jobs are limited by structural divisions within the ranks of temps that are created by the systems used to control them (Smith 1998).

Careers of Temporary Workers For many workers, working as a temporary is often temporary. However, the extent to which temporary workers are able to obtain permanent jobs is an unresolved issue. Segal & Sullivan's (1997b) analysis of administrative data from the unemployment insurance system of Washington State showed that about 58% of agency temps found permanent jobs by the end of six quarters; the remaining 42% either became unemployed, dropped out of the labor force, or remained with the agency. Using Current Population Surveys (CPS) data, Houseman & Polivka (2000) found that approximately 52% of agency temps had changed employers one year later; this is an upper-bound estimate of those finding permanent employment, since they might have switched to another temp agency (see also Segal 1996).

One reason why temps may obtain permanent jobs, either directly with a client (a "temp-to-perm" conversion—Carey & Hazelbaker 1986) or indirectly, is because they acquire skills (e.g., computer training) and experience with a variety of potential employers. Indeed, the primary motivation of temporary workers is often the opportunity to acquire skills and experience (von Hippel et al 1997). On the other hand, Nollen (1996) argues that most temporaries work in jobs that are low-skill and without career potential, and that temporary employment is adverse to human capital development by either the staffing company or client (see also Dale &

Bamford 1988). In any event, having temporary work is often better than not having a job at all (Lenz 1996, Segal & Sullivan 1997a).

Hiring temporary workers may affect the mobility of permanent workers, as is suggested by Barnett & Miner's (1992) analysis of career interdependence between core and temporary workers in a large US utility company. They found that the presence of temporary help agency employees slowed mobility among permanent workers in lower ranks and increased it among advanced workers.

Quality of Temporary Jobs Temporary workers earn, on average, lower wages than regular workers (Segal & Sullivan 1997a), roughly one third less overall in the United States in 1994 (Nollen 1996). However, there is considerable heterogeneity in the wages that temporary workers receive (Williams 1989), as well as in the characteristics of temporary work more generally (Feldman et al 1995, Gallie et al 1998). Salaries of temporaries vary considerably by occupation and are sometimes higher than those of regular employees (Gannon 1974). Thus, temporary clerical workers are generally employed at lower wage rates than their permanent counterparts, and temporary industrial workers often receive much lower pay. On the other hand, engineers and technicians who are temporaries often earn more than their counterparts in regular jobs (Carey & Hazelbaker 1986). Cohen & Habersfeld (1993) found that some temporaries (bookkeepers) were similar to regular full-time workers with regard to wages and their determination, while temporary clerks resembled more those in secondary market jobs.

Temporaries usually receive fewer fringe benefits than do regular workers (Gannon 1974, Segal & Sullivan 1997a, Kalleberg et al 2000). Temporary workers' fringe benefits are very limited, even in occupations where they may earn more than regular workers such as engineers and technicians (Carey & Hazelbaker 1986).

Contract Work

Contract companies, in contrast to temporary help agencies, supervise their employees' work, though, as our discussion above of co-employment suggests, the degree of control exercised by the client may not always be clear-cut. Employees of contract companies may work either at the client's site or offsite (the latter is often called subcontracting) (Purcell & Purcell 1998). Until recently, subcontractors were independent businesses that provided a product or service; since the mid-1980s, subcontractors increasingly provide employees as well (Axelrod 1987). Contracting arrangements are used for various reasons: to meet increased demand, to provide skills that are not available in-house, and to reduce costs (Holmes 1986); these reasons may overlap, as shown by Harrison & Kelley's (1993) study of subcontracting in the metalworking industry.

Incidence and Trends While contract work has always existed in some industries, such as construction, there has been an increase in the purchase of services (especially business services and engineering and management services) by US

firms since the 1970s (Clinton 1997). As firms began to contract out services that were previously done in-house, they gained a greater appreciation of the variety of services that could be contracted and realized that business service organizations could often supply these services more cheaply and efficiently (Abraham & Taylor 1996). Consequently, it is likely that the trend toward contract companies to supply business services (advertising, consumer credit reporting and collection, mailing and stenography, maintenance and cleaning, personnel supply, computer and data processing, protection, research and development) will continue. Large-scale companies will continue to subcontract part of their production to smaller concerns. New organizational forms—such as network organizations, joint ventures, and strategic alliances—will also increase organizations' opportunities to contract out work.

The trend toward greater subcontracting also characterizes all major west European countries (Brewster et al 1997, Tregaskis et al 1998). France and Italy are two countries with strong traditions of small-scale enterprise, and in which there are abundant opportunities for subcontracting (Goldthorpe 1984). In the United Kingdom, outsourcing has grown substantially in the 1990s after agencies in the public sector were required in the 1980s to go through a process of competitive tendering for catering, laundering, and domestic services (Rees & Fielder 1992). Some employees who were transferred to subcontractors found that it enhanced their careers by providing them with opportunities to improve their skills. Indeed, clients increasingly expect in-house contractors to provide training for their employees (Purcell & Purcell 1998).

Rees & Fielder (1992) studied the process of subcontracting in two service industries in the United Kingdom—contract cleaning and catering—and found that organizations in these industries reorganized their work differently. In cleaning, improved service quality was sought through a labor intensification strategy involving more intense supervision and changes in organization of recruitment. People were selected from the external labor market based solely on their social characteristics. In catering, service quality improvements were sought through developing and retaining a high-quality staff by means of training and development within internal labor markets.

Benson & Ieronimo (1996) compared the outsourcing of maintenance work of Australian-owned firms to Japanese manufacturing firms operating in Australia. The Australian-owned firms sought to improve their flexibility via externalization (subcontracting), while Japanese firms sought to enhance flexibility via internalization strategies. Industrial relations issues such as labor rigidity, restrictive work practices, and demarcation disputes were central to outsourcing decisions.

Abraham & Taylor (1996) found that contracting saved costs especially when used for activities done by an organization's noncore workforce. They reasoned that there is little reason to pay high wages to workers who are easily monitored and replaced, or who perform work (such as janitorial services) that is peripheral to an organization's main activity. Gramm & Schnell (1998) found that organizations that had a low-cost producer strategy and whose core employees had a high relative

wage (measured by the ratio of core employees' wages to average wages of production employees in the industry) were more likely to use subcontractors in core occupations.

Control of Contract Work Contract employment also raises questions about who controls the employee, gives orders, directs work, hires and fires. A dramatic illustration of the dilemma of control was provided in the petrochemical industry, in which contract workers are a significant component of the workforce, being used to deal with fluctuations in demand for turnaround, renovation, and maintenance work (Rebitzer 1995). A major accident in this industry spurred investigations of contract work (Kochan et al 1994), which found that managers of petrochemical companies were advised by their lawyers not to train contract workers or to supervise them closely, in order to avoid co-employment liabilities. This created a fragmented system of managerial responsibility for training, supervising, and overseeing direct-hire vs. contract workers. To avoid co-employment, clients simply specified what they wanted done, not how to do it. Clients assumed that the contract companies trained their employees. This was often a dubious assumption that resulted in more accidents involving contract workers (Rebitzer 1995). These studies highlight some of the negative aspects of using contract workers, such as lack of training, low trust, and low commitment. There were also tensions between direct-hire and contract workers, and between management and labor, as unions charged that contract workers were used to reduce unions' presence in firms and to provide cheaper (at least in the short term) and less trained workers (Kochan et al 1994).

Rousseau & Libuser (1997) discuss the issue of contingent workers in high-risk environments more generally, suggesting that risk is highest when using temporaries and contractors because they are external ("outside") employees who are with the organization for only a short time. They suggest that the higher risks associated with the use of contingent workers are rooted in characteristics of the workers themselves (contingent workers tend to be younger, less experienced, and less well-trained) and in the failure of management to adopt appropriate structures for reducing risk. Managers can reduce risk by using structures characteristic of high-reliability organizations (air traffic control, naval aviation) and strategies such as developing quality relations with only a limited number of contractors.

Pearce (1993) found that the presence of contractors in a large US aerospace company was associated with less employee trust in the organization. While contractors (aerospace engineers) earned more than regular employees, they had less job security and often had to move to different geographical locations in order to keep working throughout the year. However, she found no difference between contractors and regular employees with regard to behaviors such as willingness to help with extra tasks and organizational commitment, which she interpreted as due to contractors taking on the norms of the teams in which they worked. Jarmon et al (1998) found that "contractors" (actually, employees of temporary help agencies) in high-technology settings in the United States performed overall as well as regular

comparable employees and that managers' perceived overall contractor performance seemed unaffected by amount of buffering maintained by the organization.

SHORT-TERM EMPLOYMENT

Types, Incidence, Trends

Employers may hire some workers directly on a temporary basis, either for a short time on fixed-term contracts (which have a fixed ending point, determined by completion of task or date) or an on-call basis (e.g., substitute teachers). While the doctrine of employment at will in the United States implies that almost all employment is in principle temporary (Summers 1997), the employment relation is generally assumed to be permanent or at least nontemporary for an indefinite period unless it is explicitly designated as fixed-term or temporary.

In the United States, there is a lack of good data on the incidence and trends of short-term employment. A rough estimate is that 3.3 million workers (3.1% of the employed) were direct-hire temporaries in 1995 (Polivka 1996b). Polivka speculates that much of the growth of temporary help agencies (see above) may reflect a shift from firms hiring their own temporary workers directly to relying on outside agencies for them. If this is true, then the growth of the temporary help services industry overstates the increase in temporary work. This explanation would also help to reconcile data on the explosion in temporary help agency employment with the finding that aggregate job retention rates remained fairly stable in the United States since the 1970s (though there have been relative declines in job stability for some groups, such as high school dropouts, high school graduates relative to college graduates, and blacks relative to whites—Diebold et al 1997).

In Europe, temporary employment is usually equated with fixed-term contract employment. The number of people on temporary contracts has increased in the European Union by some 25% in the past decade, though this still represents only 11.5% of employees and there is significant country variation in this (De Grip et al 1997, Reilly 1998, Schömann et al 1998). Fixed-term contracts have been particularly important in countries where employers have difficulty terminating contracts of indefinite duration. This suggests that labor market rigidities can lead to the greater use of temporary workers. For example, the proportion of fixed-term contracts more than doubled between 1985 and 1996 in Spain and France (which had 34% and 13% fixed-term contracts in 1996, respectively), two countries that have strong restrictions on dismissals of regular workers (Fagan 1999). Spain also has severe limits on the use of temporary help agencies. On the other hand, there was no increase in fixed-term employment in the United Kingdom and Germany between 1985 and 1996 (which remained at about 7% and 11%, respectively), and some countries (e.g., Belgium, Greece, Luxembourg, and Portugal) experienced a decrease in fixed-term employment during this period (Fagan 1999).

Temporary work in Europe has generally grown less than part-time work and plays a lesser role in the overall labor market. There are also smaller inter-country

differences in temporary than in part-time employment. Moreover, unlike part-time work, temporary employment does not seem to mitigate unemployment, being rather an indicator of weak worker labor market position (especially among youth) in periods of high unemployment (De Grip et al 1997).

Organizations' Use of Short-Term Temporaries

About 38% of US establishments use short-term hires (Houseman 1997). Employers appear to use short-term hires mainly to deal with seasonal demands, as well as to provide staffing for special projects and unexpected increases in demand, and to fill in for regular employees who are absent (Houseman 1997, Davis-Blake & Uzzi 1993). Organizations with a low-cost producer strategy are also more likely to use direct-hire temporaries in core occupations (Gramm & Schnell 1998). Uzzi & Barsness (1998) found that older organizations were less likely to use fixed-term temporaries in Britain.

Using temporary workers is not always beneficial for organizations (Delsen 1995). Geary (1992) found that the use of temporary workers by three US firms operating in Ireland led to considerable conflict between permanent and temporary workers as well as between management and labor. Nollen (1996, Nollen & Axel 1996) found that temporary work is not always cost-effective, since the productivity of temporaries may be lower than that of regular workers. Using temporaries could also result in a waste of training from the organization's point of view.

Employers in different countries may use temporaries for different reasons, as Casey et al (1989) showed in their study of temporary workers in Britain and the (then) Federal Republic of Germany. British employers were more likely to use temporaries to obtain numerical flexibility, in order to increase or decrease their workforce size. German employers sought instead to obtain functional flexibility (the ability of employees to do a variety of tasks) by giving temporaries permanent contracts once they acquired the needed skills.

CONTINGENT WORK

The notion of contingent work is related to short-term, unstable employment. The label of contingent work was first coined at a 1985 conference on employment security by economist Audrey Freedman, who used it to refer to work arrangements that were conditional on employers' needs for labor and thus lacked an attachment between employer and worker (Freedman 1996). Unfortunately, the term has often been equated with nonstandard employment relations more generally (e.g., Belous 1989, Blank 1998), which is often misleading since nonstandard work arrangements may differ considerably in their degree of employment security.

Contingent work may be defined as "any job in which an individual does not have an explicit or implicit contract for long-term employment or one in which the minimum hours worked can vary in a nonsystematic manner" (Polivka & Nardone 1989:11). This influential definition was the basis of an important program of data collection undertaken by the Bureau of Labor Statistics (BLS) in their Contingent

Work Supplements to the February Current Population Surveys (CPS) in 1995, 1997, and 1999. (BLS plans to repeat this supplement every two years.) Based on data from the first of these surveys, Polivka (1996a) estimated the number of contingent workers in the United States as being between 2.2% (2.7 million workers) and 4.9% (6 million) of the labor force. These estimates are considerably lower than those of the proportions of workers in nonstandard jobs, which is consistent with the view that many workers in alternative arrangements do not really have contingent jobs (see Kalleberg et al 1997). A comparison of the 1995 and 1997 surveys suggests that the number and proportion of contingent workers has declined, perhaps due to the expansion of the economy and tightening of the US labor market in the late 1990s (Hipple 1998).

Contingent work may affect workers' psychological experiences, though the nature of this relationship has not yet been well established. Beard & Edwards' (1995) literature review suggests that contingent workers are more likely to experience job insecurity and unpredictability, to have low control over their work and transactional psychological contracts, and to perceive themselves as disadvantaged relative to noncontingent workers. Other studies have found few differences between contingent and noncontingent workers in their organizational commitment (Pearce 1998). Van Dyne & Ang (1998) speculate that this may reflect the involuntary nature of contingent employment in the United States, where contingent workers may display positive work attitudes in the hopes of obtaining regular jobs. Accordingly, their comparison of work attitudes between contingent (temporary or on-call) and regular employees in Singapore—a country with labor shortages where contingent status is voluntary—found that contingent workers engaged in fewer organizational citizenship behaviors such as helping coworkers.

Contingent work may benefit organizations by helping to import valuable knowledge into the firm, such as public knowledge about industry best practices. It can also act as a catalyst to generate new private knowledge. (On the negative side, it can also help to leak private knowledge into the public domain.) Firms in dynamic environments characterized by extreme competition are most likely to benefit from using contingent workers, while organizations in environments that are stable and characterized by mild competitive pressures are least apt to benefit from contingent workers (Matusik & Hill 1998).

INDEPENDENT CONTRACTORS

Independent contractors are self-employed; they have neither an employer nor a wage contract and are responsible for their own tax arrangements. However, not all self-employed persons consider themselves to be independent contractors. For example, small shopkeepers who work at a fixed location are not likely to call themselves independent contractors. Moreover, many independent contractors are not capable of appropriating surplus value produced by labor but represent instead a form of disguised wage labor whose only capital is their tools, materials, and special expertise (Rainbird 1991).

Independent contractors are not employees. Unlike employees, whose work is usually defined in terms of labor expended, independent contractors are generally given specifications for the final product or result and they decide how best to accomplish it (Rebitzer 1995, Summers 1997). Indeed, controlling one's own work, along with bearing the economic risk of their employment, are key criteria for establishing whether someone is legally an independent contractor rather than an employee. Despite these conceptual distinctions, it is often difficult to distinguish between a "contract for service" (self-employed) and a "contract of service" (employed) (Purcell & Purcell 1998).

A client obtains several important advantages from hiring an independent contractor rather than an employee. Clients are not "vicariously liable" for the actions of independent contractors in the same way as they are for their own employees (Rebitzer 1995). In addition, clients are not required to provide independent contractors with fringe benefits or to pay them unemployment compensation, Social Security, or workman's compensation taxes. These advantages have often led to abuses: the US Internal Revenue Service (IRS) estimates that as many as 38% of employers misclassify their employees as independent contractors to avoid paying payroll taxes, despite the fact that many of these "independent contractors" have only one "client" who is their real employer (duRivage 1992). A landmark case related to the classification of contractors was *Vizcaino v. Microsoft*, in which the US Court of Appeals for the Ninth Circuit used a common-law definition of "employee" to require Microsoft to treat a group of "independent contractors" (who worked on projects often exceeding two years) as employees for tax purposes (Monthly Labor Review 1997).

Incidence and Trends

Relatively few hard data exist on the incidence of independent contractors within the US labor force. Perhaps the best estimates come from the February 1995 and 1997 Supplements to the CPS: nearly 7% of the US labor force identified themselves as independent contractors in each year (Cohany 1998). Unfortunately, these estimates are based on self-identification rather than on objective criteria such as those used by the IRS or other agencies. An additional 5% to 6% of CPS respondents identified themselves as self-employed but not independent contractors in these two years, suggesting that there is not a perfect correspondence between people's understanding of these two work arrangements. Nevertheless, the best time-series data related to independent contractors are probably those on self-employment. These data suggest relatively little change in the proportion of the US labor force that is self-employed since 1970 (Bregger 1996). Self-employment growth also correlates only modestly with aggregate employment growth (Segal 1996).

Despite the absence of direct information on trends in independent contractors, it is likely that this category of nonstandard work has increased in the past several decades. Changes in tax laws in particular have generated growth in this category

of nonstandard work. The “safe harbor” provision of the 1978 Revenue Act helped to ensure the status of real estate brokers and members of other occupations as independent contractors. In addition, the 1982 Tax Equity and Fiscal Responsibility Act required many brokers who had formerly been employees to become independent contractors (Thomas & Reskin 1990, Carré & Joshi 1999).

Russell & Hanneman (1997) found that the use of independent contractors in Russia is similar to patterns observed in the west (Davis-Blake & Uzzi 1993): larger firms in Russia are less likely to use a high proportion of independent contractors. To the extent that private businesses make greater use of independent contractors than do state-owned businesses in Russia, then, it is because private firms are smaller.

Careers

Independent contractors tend to prefer this work arrangement to traditional employment (Cohany 1998). Many independent contractors earned higher wages than workers in traditional arrangements but were less likely to receive health insurance and pensions (Kalleberg et al 1997, Kalleberg et al 2000, Hipple & Stewart 1996). Kahn (1998) suggests that increased competitiveness in occupations with substantial numbers of independent contractors or self-employed persons may have contributed toward decreasing inter-industry wage differentials in the 1990s, though she notes that there were too few of these nonstandard work arrangements to explain the large drop in inter-industry wage differentials.

Some independent contractors conform to the image of “portfolio workers” (Handy 1990) who move from one firm to the next. Hakim (1994) describes this phenomenon as reflecting the fact that “we are all self-employed” both inside and outside organizations. DiTomaso (2001) describes the structural arrangements in which many of these workers work as loosely coupled systems, also called webs, networks, alliances, spin-offs, and new ventures. This phenomenon is illustrated by the case of Silicon Valley, where many highly skilled employees prefer working as independent contractors, since this status enables them to benefit from their ability to move among firms. Carnoy et al 1997 (see also Kunda et al 1999) describe the individualized, flexible employment defined by human capital portfolios of these workers, as opposed to stable, permanent jobs. Tight labor markets help independent contractors to move between workplaces filling particular positions on demand or providing labor services as needed.

FUTURE DIRECTIONS FOR RESEARCH ON NONSTANDARD EMPLOYMENT RELATIONS

Measuring Nonstandard Work Arrangements

Progress in understanding the nature and consequences of nonstandard work requires more valid and reliable measures of these work arrangements. For instance,

indicators of whether a person is an independent contractor need to go beyond mere self-identification, yet be more amenable to survey research than the Internal Revenue Service's 20-factor test. Such measures should help to refine the distinctions between independent contracting and self-employment more generally, as well as to differentiate independent contractors from employees.

In addition, we need better measures of fixed-term temporary contracts and of the nature of the psychological contracts that encompass employees' and employers' understandings of the employment relation. More sophisticated indicators of workers' relationships to temporary help agencies and contract companies are also necessary to appreciate better the content and complexity of these relations. Further, we need to understand better the heterogeneous nature of part-time work.

The Quality of Nonstandard Jobs

Much of the controversy and concern about the rise in nonstandard work arrangements is due to the assumption that they are associated with bad jobs. Most analyses have shown that nonstandard work arrangements vary in their wages: Some nonstandard jobs (such as contract work) often pay better than standard work, while other kinds of nonstandard work (especially part-time and temporary work) pay relatively poorly (see Kalleberg et al 2000, Ferber & Waldfogel 1998; but see Blank 1998). There is substantial agreement, though, that nonstandard work arrangements are associated with the lack of health insurance, pensions, and other fringe benefits. This is particularly problematic in the United States since employment is the main source of these benefits. Further research is needed on the heterogeneity within nonstandard work arrangements in wages and fringe benefits.

Additional research is also needed on the relations between working in nonstandard arrangements and careers. How common, for example, are "temp-to-perm" contracts? Nonstandard working arrangements may be beneficial for workers if such employment enhances their skills and enables them to adapt to the rapid changes occurring in labor markets. Studies are also needed of the role of employment intermediaries in helping people make transitions from welfare to work.

Triangular Employment Relations

The emergence of triangular employment relations constitutes a major challenge to labor law, unionization, and other aspects of industrial relations systems. Theories of control systems also need to be revised to take into account the opportunities and challenges posed by co-employment and joint employer arrangements. Issues of who should provide training to workers emerge as critical public policy questions as well as matters of concern to employers and their employees. The effects of triangular employment relations on collective bargaining and unionization are particularly potentially devastating: The detachment of employees from their employers makes it difficult for unions to organize, and the existence of multiple employers provides them with leverage against unions.

Research also needs to understand better the inter-organizational networks that underlie triangular employment relations. Linkages between temporary help

agencies and contract companies, on the one hand, and client organizations, on the other, are just beginning to be studied systematically. The interrelations among employment intermediaries themselves also deserve careful scrutiny.

Organizations' Staffing Practices

Nonstandard work arrangements reflect organizations' attempts to achieve flexibility by externalizing some of their activities (Pfeffer & Baron 1988). The focus on externalization contrasts with the dominant concern of organizational analysts during the post-World War II period, which was with how employers internalize their workforces to develop their skills and protect them from competition in external labor markets. We need to know more about the conditions under which organizations externalize their workforces. We also should explore the interrelations among the various types of nonstandard work arrangements, such as the extent to which these are complements or substitutes for one another.

However, the focus on externalization does not mean that processes of internalization can be neglected. Research is particularly needed on the bundles of practices that employers use to accomplish their human resource goals. The core-periphery model suggested by Atkinson (1985) and debated and refined by others offers a useful hypothesis for assessing systematically organizations' human resource strategies.

The growth of interest in nonstandard work arrangements in recent years serves to highlight the complexity of the relations between employers and their employees. The employment relation is potentially a very fruitful conceptual meeting place for research that seeks to merge macro and micro levels from a variety of disciplines, including economic, sociological, and psychological research on work, labor markets, organizations, and the linkages between these structures and individuals. In the coming decades, social science research on these topics will increasingly come to appreciate the utility of a focus on employment relations for understanding work-related issues.

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