

## Casualisation and Outsourcing: A Comparative Study

Cameron Allan, Peter Brosnan, Frank Horwitz and Pat Walsh\*

*A growing body of literature that has examined the extent to which workplaces have increasingly use particular types of flexibility such as outsourcing and casualisation. However, a relatively neglected area of research has been the extent to which workplaces, having outsourced certain activities and functions, subsequently brings them back in-house or "in-sourced". In this article we consider this weakness in the literature by examining both phenomena on a comparative basis analysing data from Australia, New Zealand South Africa.*

### Introduction

It is widely accepted that employers in most countries are increasingly moving away from the standard employment relationship and making more use of casual employment and other forms of contingent employment which involve a less direct relationship between employer and worker (Felstead and Jewson 1999: 1-17). Research indicates that non-standard forms of employment such as part-time, casual and temporary work and contracting have increased in Europe (Aparicio, et al., 1997: 596; Brewster et al., 1997, De Grip et al., 1997), the USA, Japan and Canada (Quinlan, 1998). These labour market developments raise important questions about employers' use of "flexible" work practices.

Flexible labour policies are of two main types. First, employers may wish to directly employ flexible workers so that labour usage can be quickly adjusted to match changing product demand patterns. Casual, fixed term and temporary workers allow employers to exercise this type of internal numerical flexibility. Second, employers may also want to "distance" themselves from a direct employment relationship with workers by outsourcing particular functions and engaging consultants, contractors or agency labour as an alternative. This type of arrangement provides employers with external numerical flexibility (Atkinson, 1987, Fitz-Patrick and Horwitz, 1999).

The use of internal and external forms of flexibility offer various advantages to employers. First, there are cost advantages as employers seek to engage labour on a just-in-time basis to reduce "unproductive" labour time (Atkinson, 1987). Secondly, by outsourcing, firms may be

\* Cameron Allan is Lecturer in Industrial Relations at Griffith University, Australia. Peter Brosnan is Professor of Industrial Relations at Griffith University. Frank Horwitz is Professor of Human Resource Management at the Graduate School of Business, University of Cape Town, South Africa. Pat Walsh is Professor of Industrial Relations and Human Resource Management at Victoria University of Wellington, New Zealand.

able to avoid purchasing capital equipment and thus release funds for other forms of investment. Thirdly, employers may use contracting-out as a means of de-unionising a unionised workforce or preventing unionisation in the first instance (Benson and Ieronimo, 1996). Fourthly, outsourcing is an effective way of accessing scarce highly specialised labour market skills (Sharpe, 1997).

There are also a number of disadvantages to employers of using flexible labour. Quality control standards can be undermined as irregularly employed "flexible workers may have less on-the-job experience and knowledge of work procedures and systems. (Smith, 1997). Research indicates that permanent workers are often contemptuous of the lower quality standards of flexible workers and resent having to work beside them (Geary, 1992). Additional problems can arise as flexible workers are not well integrated into the work and human resource systems of organisations. As a result they are less likely to receive training and are less likely to be aware of and follow company policies which may lead to lower customer service standards or health and safety problems (Smith, 1997 and Quinan 1998). Where functions have been outsourced, organisations may also experience problems of co-ordinating the delivery of services and communicating with the main contract provider (Benson and Ieronimo, 1996).

Disadvantages to employees include the potential erosion of minimum employment standards (Godfrey and Theron, 1999), fringe benefits and rights, employment insecurity, and a decline in bargaining power as union membership ultimately declines when employment contracts are replaced by commercial contracts with independent contractors (Fitz-Patrick and Horwitz, 1999; Hayter, Reinecke and Torres, 1999). Interpretation of work status as an independent contractor may remove an individual's access to a range of employment rights including protection against unfair dismissal.

Fitz-Patrick and Horwitz (1999) have documented the advantages and disadvantages of outsourcing to both employers and employees in their research on owner-driven schemes. An important purpose of outsourcing is to have the supplier assume certain investments and risks, such as demand variability. Outsourcing is commonly used to reduce overhead or short-term costs and improve productivity, but may result in a piece-meal approach (Bezuidenhout, 1999; Quinn and Hilmer, 1994: 52). It may also be used to externalise non-core activities and functions (Lacity, Wilcocks and Feeny, 1995: 84). The issues of control and enhanced flexibility are echoed in the work of Quinn and Hilmer (1994). Prowse (1990) argues that the rationale for flexibility through outsourcing is economic (rather than empowerment oriented) in facilitating organisational agility in competing with changing consumer demands, whilst reducing unit labour costs. Some advocates of outsourcing argue that it enables individual empowerment, stimulates economic activity and employment (Gopal and Cypress, 1993: 226).

Given that flexible employment policies have potentially both positive and negative effects on the firm, it is possible that some workplaces may be adopting flexibility while other workplaces are abandoning it.

## A comparative perspective

An earlier study in New Zealand by Anderson *et al.*, (1992, 1993, 1994) provided some tentative conclusions with respect to some of these issues. That study found that while there had been clear trends in New Zealand towards more casual employment and to the use of contractors and consultants, it was not obvious that these trends were going to continue. In response to a question on future intentions, more workplaces surveyed by Anderson *et al.*, (1992) indicated that they intended to increase permanent full-time employment than any of the non-standard forms. Furthermore, the data they collected indicated that, for the five years prior to the study, about the same proportion of workplaces contracted-out activities as contracted activities back in that had been done by contractors or consultants. A survey in an Australian state, Queensland, indicated that similar trends as reported by Anderson *et al.*, (1994) might apply in Australia too (Brosnan and Thornthwaite, 1994). The Queensland survey followed up the initial postal survey with interviews with 89 employers who had completed the questionnaire. The analysis of those interviews suggested that the move to non-standard employment forms was not unidirectional. Indeed, more employers interviewed were moving from non-standard strategies to standard strategies than were moving from standard strategies to non-standard ones (Brosnan, 1996).

These two surveys had shed some light on the issues raised above but it was felt essential to provide further evidence and to extend the geographic base. Consequently we decided to repeat the original Anderson *et al.*, (1992) survey in New Zealand but to simultaneously carry out identical surveys in Australia and South Africa. These two other countries were chosen with several considerations in mind. We felt we should choose countries that had similar constitutional and legal frameworks and we should also introduce elements of difference. Australia and New Zealand have very similar cultures and traditions, and for almost 90 years shared a similar unique system of wage-determination. New Zealand is considerably smaller than Australia and has more vigorously implemented a New Right agenda for economic transformation. South Africa, while sharing a British colonial past with Australia and New Zealand, is larger again and the system of apartheid underlaid the industrial relations system until the 1990s. In the post-apartheid era, there has been social reform and the industrial relations system has developed features that make it more like Australia and New Zealand. The dispute resolution system created by the Labour Relations Act (1995), and newly created institutions such as the Commission for Conciliation, Mediation and Arbitration (CCMA), have borrowed much from the Australian system.

The three countries thus share some similarities but also contain unique national characteristics. Comparing the experiences of the three with respect to casualisation and externalisation of employment allow us to more systematically analyse the questions raised above.

## Method

The method followed in this study was similar to that adopted in the earlier New Zealand studies referred to above (Anderson *et al.*, 1992, 1993, 1994). The survey, from which the results presented in this paper were derived, covered a range of questions relating to labour usage and employment forms within workplaces. The results were obtained via a postal questionnaire. That questionnaire was revised for a survey of employers in Queensland (Brosnan and Thornthwaite, 1994). The questionnaire was again revised for this study. A full account of the method and the questionnaire is contained in earlier reports of this project (Allan *et al.*, 1998; Brosnan and Walsh, 1998).

The total sample comprised 15,600 workplaces (5,200 in each country). The response rates were 34 percent in Australia, 41 percent in New Zealand and 14 percent in South Africa. With 17 industry divisions and four size groups, 68 weights were computed for each country's data set and applied to the responses so that the proportions in each of 68 cells were the same as in the targeted population.<sup>1</sup> It is these weighted proportions, which are representative of the population of workplaces and are the appropriate data for analysis that are used in the analysis which follows.

After this exercise, the industry data were aggregated to produce eight broad industry sectors which both corresponded to the ANZSIC classification and had a reasonable proportion of respondents in each of the groups created. The result involved some minor departures from ANZSIC. Construction was combined with Mining to form a group we called "Mining and Construction" (B + E). Electricity, gas and water was combined with Government administration and defence, Education and Health and community services, to form a group we called "Public services" (D + M + N + O). Wholesale and Retail trade and Accommodation, cafes and restaurants were combined to form a group called "Trade and food" (F + G + H). Transport and Storage was combined with Communications to form a group we called "Transport storage and communications" (I + J). Finance and Insurance and Property and Business finances were combined to form a group call "Property and Finance" (K + L). Cultural and recreational services was combined with Personal and other services to form a separate group we called "Cultural and Personal services" (P + Q).

## Findings

### Casualisation and the workforce

The profiles of the labour force of the surveyed workplaces in each country, and the degree of casualisation, are shown in Table 1. The incidence columns in the table show the proportion of workplaces that had one or more workers in each of the employment categories. As can be seen, a high proportion of the surveyed workplaces had full-time permanent workers. In Australia and New Zealand nine out of ten workplaces had permanent full-time

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<sup>1</sup>

Further details of the weighting procedures are available from the second named author.

employees, while in South Africa, virtually every workplace (97.5 percent) had a permanent full-time employee. Other than this, there is no obvious pattern which applies across the three countries.

The most notable features of the incidence patterns are that over 40 percent of workplaces in Australia and New Zealand had permanent part-time workers in contrast to South Africa where only 12 percent of workplaces had this category of worker. Australian workplaces are more likely to employ apprentices and casual workers. South African workplaces are more likely to have fixed term or temporary workers.

**Table 1: Incidence and distribution of employment forms**

| <i>Employment forms</i> | <i>Incidence</i> |                    |                     | <i>Distribution</i> |                    |                     |
|-------------------------|------------------|--------------------|---------------------|---------------------|--------------------|---------------------|
|                         | <i>Australia</i> | <i>New Zealand</i> | <i>South Africa</i> | <i>Australia</i>    | <i>New Zealand</i> | <i>South Africa</i> |
| Permanent full-time     | 89               | 89                 | 98                  | 67                  | 69                 | 87                  |
| Permanent part-time     | 42               | 46                 | 12                  | 13                  | 15                 | 1                   |
| Apprentices             | 13               | 8                  | 9                   | 2                   | 1                  | 1                   |
| Fixed Term              | 5                | 8                  | 10                  | 2                   | 3                  | 3                   |
| Temporary               | 7                | 11                 | 17                  | 2                   | 3                  | 5                   |
| Casual                  | 25               | 17                 | 9                   | 10                  | 5                  | 2                   |
| Contractors/consultants | 12               | 11                 | 12                  | 4                   | 3                  | 2                   |
| Other                   | 1                | 3                  | 2                   | 0                   | 1                  | 0                   |
| Total                   |                  |                    |                     | 100                 | 100                | 100                 |
| Standard                | 68               | 80                 | 93                  | 66                  | 74                 | 89                  |

The distribution columns in Table 1 show the proportion of the workforce employed by the sample of workplaces in each of the employment categories. These data show a reasonable correspondence to the incidence data - employment forms that are used by a large number of workplaces tend to account for a higher proportion of the workforce. Permanent full-time was the category with the highest incidence and it accounts for two-thirds of the labour force in Australia and New Zealand; in South Africa, where almost all workplaces had permanent full-time employees, over 80 percent of the labour force was permanent full-time. Although a fairly high proportion of workplaces in Australia and New Zealand had permanent part-time workers, they made up only 13 or 14 percent of the workers employed. In South Africa 12 percent had permanent part-timers but this category accounted for around 1 percent of the labour force. Casual workers were the largest category of non-permanent workers in Australia and New Zealand; the Australian proportion was almost double that of New Zealand, concordant with the much higher incidence in Australia. While temporary workers were a relatively small proportion of the total labour force in each country, this group were twice as

large a proportion of the labour force in South African compared with Australia and New Zealand. A noteworthy difference is that, despite each country having almost the same incidence of contractors/consultants, they comprised three to four percent of the labour force in Australia and New Zealand but less than three percent in South Africa.

***Changes over the previous five years and anticipated changes over the next five years***

The survey asked employers to indicate changes in their labour force over the previous five years and to indicate expected changes in the next five years. The aggregated figures on changes over the previous five years are set out in Table 2 and the aggregated figures on anticipated changes are set out in Table 3.

**Table 2: Historical (5 year) changes in employment forms (percent)**

|                       | Full-time |          | Part-time |          | No Change |
|-----------------------|-----------|----------|-----------|----------|-----------|
|                       | Increase  | Decrease | Increase  | Decrease |           |
| <b>Australia</b>      |           |          |           |          |           |
| Permanent             | 28        | 27       | 13        | 9        | 43        |
| Casual/occasional     | 18        | 8        | 16        | 9        | 58        |
| Contractor/consultant | 14        | 8        | 13        | 3        | 70        |
| Home working          | 2         | 4        | 3         | 2        | 92        |
| Temporary agency      | 5         | 4        | 4         | 3        | 87        |
| <b>New Zealand</b>    |           |          |           |          |           |
| Permanent             | 32        | 22       | 15        | 7        | 42        |
| Casual/occasional     | 17        | 5        | 20        | 8        | 57        |
| Contractor/consultant | 17        | 4        | 14        | 3        | 67        |
| Home working          | 4         | 1        | 4         | 1        | 92        |
| Temporary agency      | 7         | 3        | 4         | 3        | 87        |
| <b>South Africa</b>   |           |          |           |          |           |
| Permanent             | 47        | 30       | 4         | 1        | 22        |
| Casual/occasional     | 26        | 18       | 14        | 5        | 46        |
| Contractor/consultant | 29        | 15       | 2         | 0        | 55        |
| Home working          | 2         | 1        | 2         | 5        | 89        |
| Temporary agency      | 13        | 6        | 2         | 2        | 78        |

Table 2 reveals a picture of shifting employment patterns in all three countries, with a trend towards an increase in the use of most non-standard forms. The picture is complicated, however by the net increases reported in all forms, along with increases in overtime as the respondent workplaces obviously felt the need to expand employment. This shows up in increases in permanent full-time employment too. The data show that each country reports more workplaces increased permanent full-time employment than reduced it. In Australia, the proportions reporting increases and decreases in permanent full-time is about the same, but both New Zealand and South Africa have half as many workplaces again reporting increases in permanent full-time as workplaces reporting decreases. The pattern of increases in the other employment forms, however, is stronger still.

**Table 3: Expected changes in employment forms (percent)**

|                       | Full-time       |                 | Part-time       |                 | No Change |
|-----------------------|-----------------|-----------------|-----------------|-----------------|-----------|
|                       | <i>Increase</i> | <i>Decrease</i> | <i>Increase</i> | <i>Decrease</i> |           |
| <b>Australia</b>      |                 |                 |                 |                 |           |
| Permanent             | 31              | 9               | 9               | 3               | 58        |
| Casual/occasional     | 13              | 3               | 15              | 3               | 70        |
| Contractor/consultant | 14              | 1               | 10              | 1               | 81        |
| Home working          | 4               | 2               | 5               | 1               | 90        |
| Temporary agency      | 4               | 2               | 4               | 1               | 93        |
| <b>New Zealand</b>    |                 |                 |                 |                 |           |
| Permanent             | 39              | 8               | 14              | 2               | 50        |
| Casual/occasional     | 23              | 4               | 20              | 2               | 57        |
| Contractor/consultant | 19              | 2               | 9               | 1               | 72        |
| Home working          | 5               | 1               | 3               | 1               | 92        |
| Temporary agency      | 5               | 1               | 5               | 1               | 91        |
| <b>South Africa</b>   |                 |                 |                 |                 |           |
| Permanent             | 50              | 9               | 6               | 0               | 42        |
| Casual/occasional     | 25              | 20              | 17              | 2               | 44        |
| Contractor/consultant | 47              | 2               | 14              | 0               | 43        |
| Home working          | 6               | 1               | 4               | 0               | 90        |
| Temporary agency      | 16              | 5               | 1               | 0               | 77        |

The most noticeable feature of the table is the general trend towards the less secure forms of employment - fixed-term and temporary, but especially casual employment and the use of contractors or consultants. Temporary agency usage also increases in each country. On the other hand, the pattern of responses on homeworking indicates no clear tendency to an increase in its use except in New Zealand. Each country also displays a general move towards more part-time employment. In the case of South Africa, this is especially significant given the relatively low take-up of this employment form. The reported increases in part-time employment occur across all employment forms, except apprenticeship. The other feature of the South African results is that, despite the comparatively lower proportion of South African workplaces using contractors or consultants, twice as many indicated they had increased their use of this form of employment as reported decreases in its use.

When we turn to the expectations employers held for the next five years (Table 3), we find more of the same. Intentions with respect to permanent full-time employment verge on the spectacular. Only about eight percent of employers in each country expected to reduce permanent full-time employment while between 30 percent (in Australia) and 50 percent (in South Africa) expected to increase it. Aside from this, the strongest anticipated movements are in the use of more casual employment and more contractors or consultants.

Neither the pattern of reported changes nor the pattern of intended changes indicate an homogenous pattern across the three countries. South Africa had the largest proportion of workplaces reporting increases in all categories of full time employment, however it also had a large proportion reporting decreases in full-time employment in some categories particularly fixed-term, temporary and casual. The expected increases over the next five years again indicate some considerable volatility in South Africa with fairly high proportions of workplaces expecting to increase certain full-time forms and high proportions expecting to decrease them. Nonetheless, there are more firms expecting to increase employment in each form than to decrease the form. The other interesting feature of South African intentions is that a substantial proportion of workplaces intended to increase the various form of part-time employment, particularly in casual employment and in the use of contractors and consultants.

Australia and New Zealand make more use of part-time employment than South Africa. It is not surprising, therefore, that workplaces in those countries are more likely to report increases in part-time employment across the various forms. They are also more likely to increase each type of part-time employment, apart from part-time casual employment. As between the two countries, both the past increases and the expected increases are of a lower order in Australia than New Zealand.

To summarise, the picture that emerges is one of different patterns of change in each country and no obvious signs of convergence.



**Externalisation of work**

A common pattern across the three countries was that more workplaces had been contracting-out activities over the previous five years than had been contracting them in. Table 4 shows, the percentage of workplaces contracting-out activities between 1992 and 1997 which before 1992 were done wholly or partly within the firm. It also shows the percentage of workplaces that internalised activities previously done outside the organisation. The proportions contracting both in and out are highest in New Zealand and lowest in Australia but the difference between the two proportions is least in New Zealand and the most in Australia.

**Table 4: Contracting-in and out**

|                 | <i>Australia</i> | <i>New Zealand</i> | <i>South Africa</i> |
|-----------------|------------------|--------------------|---------------------|
| Contracting-out | 14               | 17                 | 16                  |
| Contracting-in  | 10               | 15                 | 14                  |

These figures of course do not tell us whether the work externalisers were externalising a greater number of activities than the internalisers, nor whether the same workplaces were internalising and externalising. When we analyse the patterns of contracting-out and -in across the three countries, we find some common patterns. Larger workplaces are more likely to have both contracted-out and contracted-in. In each of the three countries, the proportion contracting-out is three to four times as great in large workplaces (50 or more employees) as in small workplaces (two to nine employees). The proportion contracting-in is one and a half to twice as great in large workplaces compared to small workplaces.

Workplaces in small towns (less than 30,000 inhabitants) are the least likely to contract-out in all three countries but there are no clear patterns across the countries when we analyse the propensity to contract by other variables.

Public sector organisations are the most likely to both contract-out and contract-in in Australia and New Zealand. In South Africa the public sector is less likely to contract-out than the private sector, although anecdotal evidence indicates that this is changing quickly, for example in universities. Workplaces in the non-profit sector are the South African group most frequently to have contracted-out and contracted-in (21 percent contracting-out and -in).

To the extent that there were common industrial patterns across the countries, mining and construction had above average rates of contracting-out; trade and food had below average rates of contracting-out, and property and finance and public services (electricity, gas and water, government administration and defence, education, and health and community services) had above average rates of contracting-in.

**Contracting-out**

A broader picture of contracting-out is obtained by examining the activities that were contracted-out, shown in Table 5. The pattern varies across the three countries. To the extent that there are any general trends they are for manual activities to be contracted-out more commonly and for clerical and managerial and administrative tasks to be contracted-out less frequently. The country specific variations centre on computing work and professional activities and the category "other manual". New Zealand and South African workplaces report very high rates of contracting-out for professional work; 49 percent of South Africa workplaces that contract-out do so for professional work. In Australia, on the other hand, professional work is the second least cited field for contracting-out; only 11 percent of contracting-out workplaces list the activity. Computing is the second most frequently cited activity for contracting-out in South Africa but ranks in the lower half of activities for contracting-out in Australia and New Zealand. Other manual work (i.e. other than craft work or cleaning) was the activity most commonly contracted-out in Australia and New Zealand but was the second least likely to be contracted-out in South Africa.

**Table 5: Activities contracted-out or contracted-in: percentage of workplaces that report changes**

|                             | <i>Australia</i> |           | <i>New Zealand</i> |           | <i>South Africa</i> |           |
|-----------------------------|------------------|-----------|--------------------|-----------|---------------------|-----------|
|                             | <i>Out</i>       | <i>In</i> | <i>Out</i>         | <i>In</i> | <i>Out</i>          | <i>In</i> |
| Managerial & administrative | 5                | 12        | 9                  | 16        | 11                  | 3         |
| Professional                | 11               | 16        | 21                 | 25        | 49                  | 53        |
| Computing                   | 15               | 27        | 10                 | 22        | 20                  | 28        |
| Clerical                    | 11               | 20        | 8                  | 21        | 5                   | 5         |
| Craft manual                | 21               | 19        | 14                 | 14        | 15                  | 16        |
| Cleaning                    | 19               | 22        | 19                 | 17        | 19                  | 6         |
| Other manual                | 39               | 28        | 23                 | 20        | 9                   | 2         |
| Other                       | 8                | 3         | 20                 | 12        | 15                  | 3         |

Large workplaces are more inclined to contract out and, among the workplaces that do contract out, they are more inclined to contract out a range of activities. This is especially so in New Zealand where they are the most inclined to have contracted-out all activities except for managerial/administrative work and clerical tasks. When we examine the data by location, we find the most striking feature of the data is that among the workplaces that do contract out, those in larger towns are more inclined to have contracted-out most white collar activities while workplaces in rural areas were more inclined to contract out blue collar activities.

Given the higher propensity for the public sector to contract out in Australia and New Zealand, it is interesting to see what they do contract out. In Australia, public sector workplaces that contract out report high rates of contracting for managerial/administrative, professional, computing, cleaning and other manual work. The list for New Zealand is identical except that New Zealand public sector workplaces are less inclined to contract out managerial/administrative than the private or non-profit sectors. In South Africa, public sector organisations that contract out are notable for high rates of contracting-out of cleaning, security, food services and manual work.

The industry patterns of activities contracted-out (eight industries and seven groups of activities) are necessarily complex across the three countries. If we focus on the instances where a particular industry had above average rates of contracting-out for a particular activity (that is, above average for the country in question), we find only five such instances which are common to the three countries. Manufacturing had above average rates of contracting-out cleaning and craft manual activities in each country; property and finance had above average rates for computing; cultural and personal services had above average rates for clerical tasks; and public services had above average rates for cleaning in each country.

### ***Contracting-in***

The pattern of contracting-in is more or less the reverse of the pattern for contracting-out. White collar tasks were the ones commonly contracted back in while manual tasks were the least likely to be contracted-in. Despite these trends, there were high preferences for contracting-in some of the same activities that were contracted-out. The most notable of these is managerial/administrative tasks which had relatively low rates of contracting-out across the three countries but also relatively low rates for contracting-in. This is not a surprising finding for, irrespective of Atkinson's (1987) core-periphery model, management is one of the tasks that, almost by definition, must remain within the firm.

Professional work was another activity with similar patterns of contracting-in and out. We noted above that Australian workplaces that contracted-out were unlikely to contract out professional work whereas in New Zealand and South Africa, workplaces that contracted-out were highly likely to contract out professional work. The same relationship applies to contracting-in. Australian workplaces that contracted-in relatively rarely contracted-in professional activities but contracting-in workplaces in New Zealand and South Africa were more likely to contract-in professional work than any other activity.

The third activity that had similar patterns of contracting-out and -in was the other manual category. This had low percentages contracting-out and -in in South Africa. But relatively high proportions contracting both in and out in Australia. New Zealand, on the other hand had high proportions contracting-out other manual work but only moderate proportions contracting-in. Other than these features, the major difference across the three countries was that craft work which was contracted-in by a relatively low proportion of contracting-in workplaces in Australia and New Zealand was contracted-in by a relatively high proportion of such workplaces in South Africa.

Larger workplaces are more likely to have contracted-in most activities. The major exception is clerical work. This was more likely to have been contracted-in by small workplaces in New Zealand and, to a lesser extent, by small workplaces in South Africa.

The public sector, one of the main sources of both contracting-out and contracting-in in Australia and New Zealand, contracted-in similar activities to those which it contracted-out: managerial, professional, computing and cleaning. It was less inclined to contract back in for other manual work and it was inclined to contract back in for clerical work. One major difference between Australia and New Zealand was that New Zealand public sector organisations were little inclined to contract out managerial/administrative work. They were, however strongly inclined to contract it back in. Half the public sector organisations in New Zealand that contracted-in over the previous five years had contracted-in managerial/administrative work.

These results, showing high rates of both contracting-in and out of the same activities, highlight the extent to which public sector organisations were experimenting with contacting out, and the fact that many of them found contracting-out to not necessarily be a panacea. The low rates of contracting-out coupled with very high rates of contracting-in by New Zealand public sector organisations is undoubtedly a "correction" of the excessive amount of contracting-out carried out in the 1980s.

As for contracting-out, the pattern of contracting-in across the three countries was complex. There are, however seven patterns which apply across each of the three countries. Manufacturing had above average rates of contracting-in craft manual activities in each country, and property and finance had above average rates for computing. These two industries had above average rates for contracting-out the same activities but the proportions contracting-in were higher in each country than the proportions contracting-out. The other five common patterns to the three countries were: public services had above average proportions contracting-in professional work; trade and food and property and finance both had above average proportions contracting-in clerical work; and mining and construction had above average proportions contracting-in non-craft manual work.

### ***Internalisation and externalisation of individuals***

When work is contracted-out, it is sometimes more a change of form than substance. By this we mean that often the same person continues to do the job but that their status, and usually remuneration, change. Sometimes these changes are initiated by the employer (Brosnan *et al.*, 1996) sometimes by the employee. The advantages to the employer of this change is that they avoid various costs associated with employment, such as payroll tax, superannuation and workers compensation premiums; and they are no longer responsible for PAYE deductions and they increase their ability to dismiss the employee/contractor should they wish to do so. The advantage to the worker is that they usually gain additional tax concessions by being "self employed". In the case of employees who genuinely want to become a contractor or consultant, keeping their former employer as a client provides them with a base from which to develop their business.

We asked respondents to our survey that had contracted work out whether the contractors were former employees. Where work had been contracted-in we asked whether the employees were former contractors. The results are presented in Table 6. It is evident from the table that there was considerable interaction between the categories of employee and contractor/consultant. However the interaction was stronger when employers were contracting-in. Employers in each country were more inclined to employ former contractors when they contracted-in than to use former employees as contractors when they contracted-out. South Africa had the strongest overlap in the two categories with one in four contractors being former employees when work was contracted-out, and two in five contractors being employed directly when work was contracted-in. The Australian and New Zealand proportions are very similar to each other but both in contracting-in or out, Australian employers are less inclined to use the same individuals after the change of strategy.

**Table 6: Contracting-in and out and employee status**

|  | <i>Australia</i> | <i>New Zealand</i> | <i>South Africa</i> |
|--|------------------|--------------------|---------------------|
| Contractors/consultant former employees<br>(as a percentage of workplaces contracting-out) | 15               | 19                 | 27                  |
| Employees former contractors/consultants<br>(as a percentage of workplaces contracting-in) | 17               | 23                 | 42                  |

It is interesting to note that our findings for New Zealand differ from those of Anderson *et al.*, (1994). That study found that New Zealand employers in 1991 were more inclined to use former employees as contractors when contracting-out, than to employ contractors directly when contracting-in. In 1991, one in three New Zealand employers that contracted-out had used former employees. In 1995, the corresponding proportion was only one in five. Anderson *et al.*, offer some plausible explanations of why they thought this should be so, however our results suggest that strategy is much more fluid. There appears to have been more contracting-out and -in in New Zealand in the 1990s compared with the latter part of the 1980s, and this seems to have been a more genuine externalisation strategy, more frequently using external contractors when contracting-out and possibly putting dependant contractors "back on to wages".

Whether contracting-in or out involved a change of status for individuals was closely related to the size of the workplace and also to industry. We have already noted that the larger the workplace, the more likely that work would be contracted-in or out. It was also the case

in each country that the larger the workplace, the more likely it was that contracting-out would involve former employees and that contracting-in would involve the direct employment of former contractors or consultants.

The relationship between contracting-in or out and retaining particular individuals is not so clearly related by industry. However the industry patterns are stronger than for the actual decision to contract-in or -out. Although there were few patterns of contracting-in or-out by industry, when we analyse the retention of particular individuals in the process, we find that service sector workplaces stand out as having high rates of interaction between contracting and direct employment of individuals. Transport and storage, property and finance, and cultural and personal services all stand out as having high rates of employment of contractors as employees and of former employees as contractors. Mining and construction, and to a lesser extent agriculture, forestry and fishing stand out for having low rates of retention of employees as contractors and contractors as employees. There is clearly an interaction here with size in that many of these workplaces would also be small, but the industry effects do hold when size is controlled for.

### ***Temporary help agencies***

A substantial proportion of workplaces reported using temporary help agencies in each country. The proportions ranged from 13 percent in Australia to 28 percent in South Africa. However they did not appear to use them too often. Most workplaces that report using temporary help agencies indicated that they only used them sometimes. Only one percent in Australia and New Zealand, and three percent in South Africa indicated that they used them frequently.

The use of agencies varied according to sector and workplace size. The non-profit sector had a higher rate of agency use in each country. Public sector workplaces were more likely than private sector ones to use agencies in Australia and New Zealand. In South Africa, however, there was little difference between the two sectors. There was a very strong relationship between workplace size and the use of agencies. The smallest workplaces in each country made almost no use of agencies while the largest workplaces were more likely to use agencies and also more likely to use them frequently.

When we asked employers what they used temporary help agencies for, most listed clerical, reception and typing work. A substantial number also listed reception work. Computer programming was cited frequently, especially in Australia and New Zealand. Those two countries also had a large proportion (25 percent) list assembling and labouring. While the three countries produced similar profiles of tasks performed by agencies, it was noticeable that South Africa employers used agencies more for white collar tasks while Australian and New Zealand employers, and Australian employers in particular, were inclined also to use them for manual tasks.

The South African profile of temporary agency use is more like that reported by Mangum *et al.* (1985) in a US study than either the Australian or New Zealand data. The Mangum

*et al.* (1985) study found that 38 percent of firms used temporary help agencies compared with 28 percent in South Africa and less than 20 percent in both Australia and New Zealand. However Mangum *et al.* only surveyed industries for which the use of temporary help agencies was known to be high, thus the US rate would be much closer to the South African rate. The activities for which agency labour were sought are also fairly similar. Mangum *et al.*, (1985) reported that 59 percent of firms used temporary help agencies for clerical work but only four percent for production work and eight percent for service work. Only four percent of South African workplaces used agency labour for production work and the proportions for the service sector are also fairly similar. This suggests that rather than South Africa being an exception to a broader international pattern, it may be that Australia and New Zealand are the more unusual cases despite the strong similarities between them.

Temporary help agency usage appears to be high in Anglophone countries such as Australia New Zealand, South Africa, the UK and the US, possibly because the agencies are largely unregulated and therefore provide the client firm with considerable flexibility. This is not so everywhere. In Japan, for example, agency usage is highly regulated and restricted to certain occupations. In Italy and some other European countries, agency employment has been illegal. Not only is the use of agencies high in these three countries, it appears to have increased over the five years prior to the study and was expected to increase in the future. The largest expected increases were in South Africa, the country with the highest use, and the smallest expected increases were in Australia, the country with the lowest use.

It is of some interest to note that the New Zealand data from this survey are backed up by the earlier New Zealand survey (Anderson *et al.*, 1994). That survey reported that 17 percent of New Zealand workplaces used temporary help agencies. Our subsequent survey found a usage rate in New Zealand of 19 percent. This is consistent with the data in Table 2, which shows that more workplaces reported increases than decreases in temporary agency usage.

While the sample size is insufficient for detailed cross tabulations, it is instructive to determine whether there were any obvious relations, which held across the three countries, between industry and the purpose for which firms used temporary agencies. The data suggest that agriculture, forestry and fishing used agencies for labouring work, manufacturing used agencies for skilled craft work, property and finance used agencies for clerical workers, and trade and food used agencies for sales assistants and for catering. The relationship noted above, that large firms were more likely to use agencies held true across each type of activity except for sales work. Small workplaces were the most likely to use agencies for sales assistants and medium sized workplaces (10-49 employees) were more likely to use agencies for this purpose than large workplaces.

### **Homeworking**

Although homeworking has attracted more attention than other forms of contracting-out (Fitz-Patrick and Horwitz, 1999), our study found that it was the least common form of externalisation. Only four percent of Australian workplaces reported using homeworkers. In New Zealand the proportion was five percent and in South Africa it was 11 percent. The

majority of workplaces in each country employed only one or two homeworkers. The typical homeworker in each country was female. In Australia and New Zealand most homeworkers, both male and female, worked part-time. We noted earlier that part-time employment was lower in South Africa, but it is interesting to find that while the majority of South African homeworkers were employed on a full-time basis, the proportion of homeworkers employed part-time was substantial - 43 percent for males and 32 percent for females. Part-time homeworkers were more inclined to be female. They were overwhelmingly so in Australia and New Zealand - 84 percent and 83 percent respectively. In South Africa, women did constitute the majority of homeworkers (55 percent).

Homeworkers were more frequently employed on a casual basis than other employees. In New Zealand, 75 percent of homeworkers were casual employees. In South Africa, casuals were the largest category but were not a majority (44 percent). Intriguingly, Australia, which had the highest proportion of its labour force employed on a casual basis had the lowest proportion of casuals amongst its homeworkers (35 percent). However this was three and a half times higher than the proportion of casuals in the total labour force.

An analysis of homeworking data for each country shows that homeworkers were more commonly employed by larger workplaces. Workplaces that had 50 or more employees were twice as likely to have homeworkers as workplaces with less than 10 employees. Homeworking appeared to be concentrated in certain industry sectors. However, the proportion of workplaces with homeworkers was too few in the context of the sample to produce definitive results on this dimension. At a general level, the results identify homeworking as being more prevalent in the tertiary sector than in secondary industries. Trade and food had a relatively high proportion of homeworkers in each country, and property and finance accounted for a reasonable proportion of homeworkers in Australia and New Zealand.

The respondents to the survey reported no substantial changes in the employment of homeworkers over the preceding five years (Table 2). New Zealand employers seem to have increased homeworking the most. The anticipated changes for the next five years are very similar across the three countries. More respondents anticipate increasing both part-time and full-time homeworking than intend to reduce either.

There appeared to be some interrelationship of externalisation strategies. Workplaces that had contracted-out work were more likely to use temporary agencies and, in Australia and New Zealand, were more likely to use homeworkers. Of workplaces that had contracted work out to contractors or consultants, roughly a third in Australia and New Zealand had used also agencies (compared with less than a fifth of all workplaces). In South Africa, three-quarters of workplaces that had contracted-out also used agencies (compared with less than a third of all workplaces).

Regarding homeworking, five percent of contracting-out workplaces in Australia and eight percent of such workplaces in New Zealand used homeworkers (compared with four and five percent of all workplaces in the respective countries). Given this confluence of strategy, it was surprising to find that South Africa workplaces that had contracted work out were less inclined



to use homeworkers than other workplaces. Only seven percent of South Africa workplaces that had contracted-out used homeworkers compared with 11 percent of all South African workplaces.

## Conclusion

One of the questions raised in the introduction is whether there are common movements across countries. It is clear from our analysis that there are some trends which apply across the three countries, but there are exceptions to those trends and the pattern of movement is far from unidirectional. The survey did find a general trend towards less secure forms of employment and growth of non-standard employment forms. But it also found increases in core full-time employment. The workplaces that responded to the survey also indicated that they planned to increase casual employment and use more contractors and consultants in the future, but these intentions were also in contrast to the projected increases in permanent full-time employment.

While our findings suggest some trends in each country, the underlying patterns seem similar to those which Brosnan (1996) identified in the Queensland study. The diversity of responses across countries, regions sectors and industries are consistent with the finding from Queensland that:

While many employers see advantages in using part-time, casual or temporary labour, or using homeworkers, contractors or piece rate systems . . . many feel strongly that these employment forms are inherently unsuitable, especially in the longer run. The choice that each employer has made seems to reflect their own circumstances. Their own circumstances are inherently complex and depend upon their position in product markets, in labour markets, the degree of cost pressure they experience, the technologies they employ, the distribution of demand over the week, the month and the year, whether they have the resources or inclination to cope with the greater complexities of using non-standard employment forms, and their view of whether their business is expanding or contracting (Brosnan, 1996).

For those who think they see the future in the development of casual and externalised work, our results should provide some caution. Much of this development is a short-term measure to deal with uncertainty. Our results from the New Zealand sample confirm the expectation of New Zealand employers in 1991 that they would increase permanent full-time employment. This has happened, and they expected further increases over the next five years, as do employers in Australia and South Africa. Non-standard forms of employment have not yet become "standard" in the countries in our study. However, they are on the increase world wide, with contingent workers receiving poorer pay and less likely to receive employer benefits (Felsted and Jewson, 1999, pp.8-12).

For those who see the dark side of casualisation and externalisation, our results might provide some comfort. While there is clearly not the inevitable trend that some might claim, there has nonetheless been a substantial number of workplaces in each country increasing the employment of casual labour and also increasing the use of contractors / consultants. They

expect to continue to increase the utilisation of these employment forms. The crucial issue, and one which our survey cannot answer, is the relative extent of these changes within each firm, and thus the net effect on employment profiles.

The growth of a non-core segmented labour market has often resulted in greater job insecurity, lower organisational commitment, and declining work satisfaction. Employers refer to a new psychological contract with employees, entailing reduced job security, lateral job moves but limited opportunity for upward mobility (Frenkel, Korczynski, Shire and Tam, 1999). Trade unions and regulatory agencies will need to be continually involved in monitoring these trends. "A delicate balance is required between protecting worker rights and ensuring adequate labour market flexibility" (Barker, 1999: 40)

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