

The extent to which the core/periphery model is used in practice has been heavily debated, for example:

‘There is no overwhelming evidence of a significant expansion in this type of employment in the 1980s. The only employment forms for which the evidence of expansion is unambiguous are self-employment and part-time employment. The latter is in any case primarily both permanent and direct employment. Temporary and contract work, homeworking and black economy work are the employment forms where expansion appears to have been at best modest.’ (Rubery,1988, pp. 56-57.)

However, perhaps we could argue that in the 1990s this model is being adopted. What is your experience? Note the Window on Practice on page 176, which looks at Britain’s flexibility in relation to Europe.

Read: Article – Consider this article written in the 1980s with your knowledge and experience of current day practices.

📖 Article

Manpower Strategies for Flexible Organisations

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New pressures are obliging companies and their employees to consider a wide range of new ways of getting tasks done. In last month’s issue Professor Handy highlighted the main strands of ‘the organisational revolution’. Here John Atkinson concentrates on the theme of flexibility and describes the shifting employment practices which he has encountered during his research.

‘British firms don’t have manpower strategies; they just have manpower tactics writ large.’ This comment, made by a senior personnel director in response to questions about new employment strategies, seems to sum up both the weaknesses and the strengths of British manpower management. On the one hand, it implies that manpower policies are often the unplanned outcome of business initiatives which have been taken without serious consideration of their manpower implications. But, on the other hand, it also implies that such policies are subordinate to business needs and do not have any independent rationale. It also suggests that responses to changing economic circumstances are likely to be empirical and pragmatic. A research programme conducted at the Institute of Manpower Studies (IMS) over the last year has been considering where such empiricism and pragmatism is taking over manpower policy.

Although it is possible to identify some sectors of the economy (and some firms) whose experience has been different, several important common themes can be found underpinning the employment plans of most UK companies. Among the most important are:

Market stagnation: The combination of world recession, of the UK's unusually deep and prolonged share of that recession, and of a widespread inability to compete effectively in world markets, has led to a managerial imperative with the permanent reduction of unit labour costs.

Job loss: Virtually all UK firms have undergone an enforced and dramatic reduction in employment levels, which have often been as expensive in cash terms as they have been painful for employee relations.

Uncertainty: Despite Treasury optimism about a national growth rate of three per cent, many firms appear privately more cautious about the pace of an upswing and, more importantly, are not relying on growth being sustained. As a result, such firms are anxious not to over-commit themselves in terms of employment or investment.

Technological change: The increasing pace, and decreasing cost, of technological change means that the firm (and its employees in particular) needs to be capable of responding quickly to substantial changes in either product lines or production methods (and probably both).

Working time: As reductions in basic hours have continued, so employers have increasingly been forced to reconsider the most effective deployment of worked time.

This has led to a widespread view among employers that any further reductions of working time can only be sustained through restructuring worked time, often in quite unconventional ways.

As a result, firms have found themselves under pressure to find more flexible ways of manning which take account of these new market realities. They have put a premium on achieving a workforce which can respond quickly, easily and cheaply to unforeseen changes, which may need to contract as smoothly as it expands, in which worked time precisely matches job requirements, and in which unit labour costs can be held down. At the same time, employers have recognised that the current state of the labour market, with high unemployment, few shortages of labour, and a weakened trade union movement, will help them secure these aims. So, there are both strong pressures to achieve a more flexible workforce and greater opportunities to do so now than in the past.

What is flexibility?

Our research suggests that firms are really looking for three kinds of flexibility – functional, numerical and financial.

Functional flexibility is sought so that employees can be redeployed quickly and smoothly between activities and tasks. This might mean the deployment of multi-skilled craftsmen moving between mechanical, electrical and pneumatic jobs; it might mean moving workers between indirect and direct production jobs; or it might mean a complete change of career for say, draughtsman to technical sales. As products and production methods change, functional flexibility implies that the same labour force changes with them, in both the short and medium term.

Numerical flexibility is sought so that headcount can be quickly and easily increased or decreased in line with even short term changes in the level of demand for labour. It might mean that hire and fire policies can be more easily implemented, or that hiring gives way to a looser contractual relationship between manager and worker. The end result would be that at any time the number employed/working exactly matched the number needed.

Financial flexibility is sought for two reasons; first, so that pay and other employment costs reflect the state of supply and demand in the external labour market. Of course, there is little novel in the suggestion that employers wish to hire labour as cheaply as possible. The significance lies more in relativities and differentials between groups of workers than in an across-the-board push to reduce wages, and the implications include a continued shift to plant level bargaining and widening differentials between skilled and unskilled worker. Secondly, and probably of greater importance in the long term, pay flexibility means a shift to new pay and remuneration systems that facilitate either numerical or functional flexibility, such as assessment-based pay systems in place of rate-for-the-job systems.

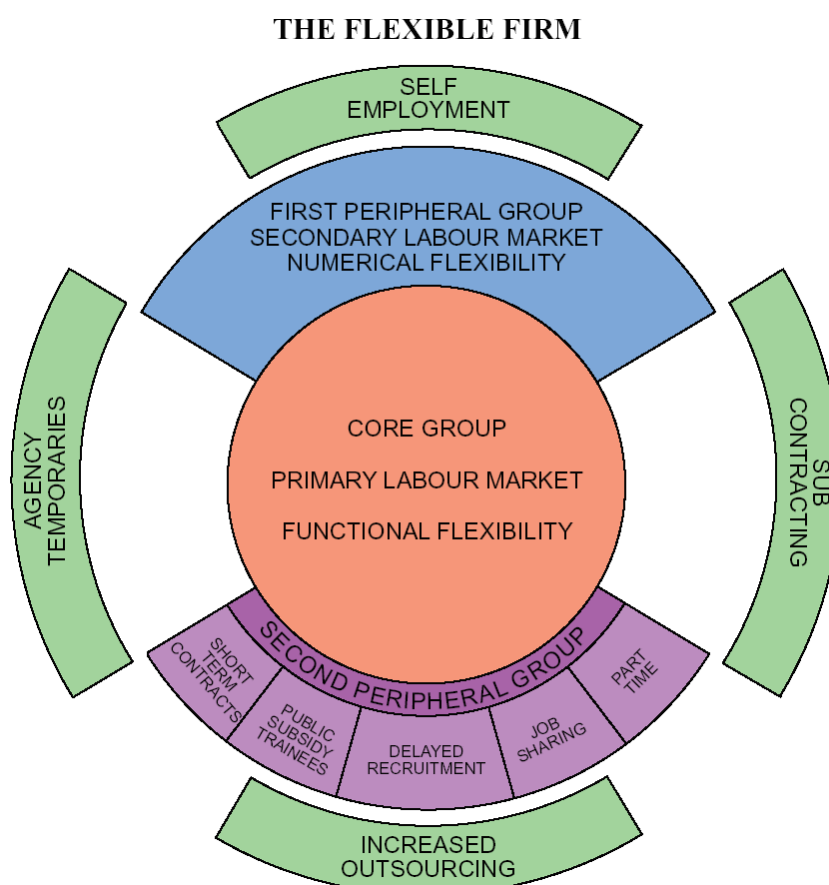
There is little that is new in any of these management aspirations, but what is new is the growing trend for firms explicitly to seek all three forms of flexibility. We have seen attempts to build each of them into the basic approach to manning, rather than treating flexibility as an additional extra to be secured through a productivity deal. The relative priority accorded to each form of flexibility by a particular organisation will determine how closely it comes to resemble the ‘contractual’, the ‘professional’ or the ‘federal’ models described in Professor Handy’s article last month [1]. So widespread have aspirations for greater flexibility become that many employers now expect to introduce changes which will restructure the work experience of some, or perhaps all, of their labour force.

For these employers, a change in the organisation of work is seen as the best way of achieving greater flexibility from the workforce. As a result a new employment model is beginning to emerge which makes it much easier to secure all three kinds of flexibility.

The new model involves the break up of the orthodox hierarchical structure of the firm in such a way that radically different employment policies can be pursued for different groups of worker. The new divisions are much less likely to be based on blue or white collar distinctions, but rather on the separation of jobs which are specific to a particular firm from those involving only general skills. The firm-specific skills might range from production manager to maintenance occupations, and the non-specific from systems analyst to driver. Both can be found at all levels in a company.

The result is shown in the diagram which represents the organisational structure which many UK firms are trying to introduce. The new structure involves the break-up of the labour force into increasingly peripheral, and therefore numerically flexible groups of workers, clustered about a numerically stable core group which will conduct the organisation's key, firm-specific activities. At the core, the emphasis is on functional flexibility; shifting to the periphery, numerical flexibility becomes more important. As the market grows, the periphery expands to take up slack; as growth slows the periphery contracts. At the core, only tasks and responsibilities change; the workers here are insulated from medium term fluctuations of the market, whereas those in the periphery are more exposed to them.

Workers in the core group are full-time permanent career employees: say, managers, designers, technical sales staff, quality control staff, technicians and craftsmen. Their employment security is won at the cost of accepting functional flexibility both in the short term (involving cross-trade working, reduced demarcation, and multi-discipline project teams) as well as in the longer term (changing career and retraining). Terms and conditions of employment are designed to promote functional flexibility. This often involves single status conditions, and the displacement of 'rate-for-the-job' by pay systems which reward the acquisition and deployment of new skills, and which are at least partly based on performance assessment. But the central characteristic of this group is that their skills cannot readily be bought-in. The firm is therefore seeking to separate them from a wider labour market.



'First peripheral group' workers are also full-time employees, but enjoy a lower level of job security and even less access to career opportunities. In effect they are offered a job, not a career. For example, they might have clerical, supervisory, component assembly and testing occupations. The key point is that their jobs are 'plug in' ones, and not firm-specific.

As a result, the firm looks to the external labour market to fill these jobs, and seeks to achieve numerical and financial flexibility through a more direct and immediate link to the external labour market than is sought for the core group. Functional flexibility is not sought and, because these jobs tend to be less skilled, little training or retraining is needed. A lack of career prospects, systematisation of job content around a narrow range of tasks, and a recruitment strategy directed particularly at women, all tend to encourage a relatively high level of labour turnover, which itself facilitates easy and rapid numerical adjustment to product market uncertainty.

If the firm needs to supplement the numerical flexibility of the first peripheral group with some functional flexibility, then a second peripheral group can be distinguished. They are on contracts of employment designed to combine the two. Part-time working is probably the best example of this – the jobs having all the characteristics of those in the first peripheral group, with their deployment often structured to match changing business needs – twilight shifts, overlaid shifts or peak manning etc. Job-sharing, short-term contracts, public subsidy trainees and recruitment through temporary contracts all perform a similar function – maximising flexibility while minimising the organisation's commitment to the worker's job security and career development.

Where jobs are not at all firm-specific, because they are very specialised (e.g. systems analysis) or very mundane (e.g. office cleaning), firms are increasingly likely to resource them outside, through the use of subcontracting, self-employed jobbers, temporary help agencies and the like. This not only permits great numerical flexibility (the firm deciding precisely how much of a particular service it may need at any time), it also encourages greater functional flexibility than direct employment (as a result of a greater commitment of the self-employed to getting the job done, the greater specialisation of sub-contractors, or the relative powerlessness of the worker in this context, according to your taste).

Privatisation in public sector agencies is perhaps the most well-known aspect of this trend to the use of outsourcing. The most radical breaks with past practices are perhaps represented by 'networking' and 'teleworking' but both are only part of a much broader externalisation of functions across the broad areas of the UK labour market.

Some examples of these changes in work organisation in practice might perhaps make the components of the model clearer, while at the same time describing the ways in which such changes are being implemented. The three examples discussed clearly show how the general principles outlined in the model are applied in quite different ways to suit the precise needs of the firms in question.