



UNIVERSITÀ DEGLI STUDI DI PADOVA

Dipartimento di Scienze Economiche “Marco Fanno”

HOW TYPICAL ARE ‘A-TYPICAL’  
EMPLOYMENT CONTRACTS?  
AN ORGANIZATIONAL PERSPECTIVE

MARTINA GIANECCHINI  
Università di Padova

BARBARA IMPERATORI  
Università Cattolica di Milano, SDA Bocconi

ANNA GRANDORI  
Craia Università Bocconi

GIOVANNI COSTA  
Università di Padova

April 2008

*“MARCO FANNO” WORKING PAPER N.75*

# How typical are ‘a-typical’ employment contracts? An organizational perspective<sup>1\*</sup>

**Martina Gianecchini**

Department of Economics - University of Padova  
Via del Santo, 33 - 35123 Padova (ITALY)  
[martina.gianecchini@unipd.it](mailto:martina.gianecchini@unipd.it)

**Barbara Imperatori**

Organisation and HR Management Dept. – SDA Bocconi School of Management  
Via Bocconi, 8 – 20100 Milan, Italy  
and  
Department of Economics – Catholic University  
Largo Gemelli, 1,- 20123 Milan (ITALY)  
[barbara.imperatori@unicatt.it](mailto:barbara.imperatori@unicatt.it)

**Anna Grandori**

Crora - Bocconi University  
Viale Isonzo, 23 - 20136 Milano (ITALY)  
[anna.grandori@unibocconi.it](mailto:anna.grandori@unibocconi.it)

**Giovanni Costa**

Department of Economics - University of Padova  
Via del Santo, 33 - 35123 Padova (ITALY)  
[giovanni.costa@unipd.it](mailto:giovanni.costa@unipd.it)

February 24<sup>th</sup>, 2008

---

<sup>1</sup> This paper is a part of a research project conducted by CRORA-Bocconi Research Center coordinated by Professor Anna Grandori, which involved scholars from five Italian universities (Bocconi University, University of Napoli, University of Modena and Reggio Emilia, University of Padova, Catholic University of Milan).

\* Paper presented at the 26<sup>th</sup> International Labour Process Conference 2008 (Dublin) and published in the Crora-Bocconi Research Paper Series.

## **Abstract**

*The paper presents an organizational analysis of so-called 'atypical work contracts', the purpose being to gain better understanding of their variety and to provide useful indications for their assessment, considering not only the legal alternatives but also the organization of work.*

*Exploratory research was conducted on two groups of Italian workers (flexible and permanent) and a group of firms. The Italian labour market has recently undergone a reform which introduced a number of flexible contracts, and it is therefore a good context for analyzing the use of these employment arrangements. Workers were requested to describe their 'ideal employment contract', ranking its characteristics and comparing it with their actual contract. At the same time, we interviewed a group of HR managers, asking them to make a similar evaluation.*

*The results show that different legal contracts are sometimes used for jobs with the same contents. Hence, the 'atypical features' of some contracts are not confirmed in practice, and the choice of a flexible employment relationship appears to be the result of a complex evaluation, in which the contractual form is just one (but not the most important) element. Then identified are some 'critical' areas to be considered in designing effective employment relationships (flexibility; contract architecture; risk allocation).*

## **Introduction**

The use of flexible employment contracts has increased dramatically in Western societies over the last few decades. According to European data, temporary workers now account for 14.6% of total employment: they reach their maximum percentage in Spain (32%) and an average level in Italy (12.6%). This situation results from competitive pressures for productive flexibility, and from a wave of national labour-market legislation reforms which have introduced flexible work arrangements.

Together with the number of temporary workers, there has been growing interest in management of these employment contracts different from typical ones. However, the statistical data conceal a wide variety of 'atypical' solutions. From the employers' perspective, fixed-term contracts, temporary work or on-call contracts serve the purpose of providing flexibility. From the employees' perspective, temporary work may be both involuntary (i.e. only accepted because there is no other option) or a rational choice (i.e. a way to reconcile work with other personal interests or family responsibilities, to maintain multiple jobs, to enter the labour market).

The main aim of this paper is to conduct organizational analysis of so-called atypical work contracts, the purpose being (a) to gain understanding of their variety (are they really 'a-typical' or 'flexible'?) and (b) to provide useful indications for assessing and devising contracts, considering not only the legal alternatives but also the organization of work.

Exploratory research was conducted on two groups of Italian workers (temporary and permanent) and a group of firms. The Italian labour market has recently undergone radical reform which introduced a number of flexible contracts, and it is therefore a prime institutional context for analyzing how firms and employees use these employment arrangements.

A set of organizational dimensions were identified (psychological contract and reciprocal expectations, risk allocation, work flexibility) which expressed the organization's and worker's concerns regarding flexible employment, and which were comparable among different contractual configurations. The results indicate that different contracts are combined with similar work content and/or work organization. Hence, the so-called 'atypical features' of some work contracts are not confirmed in practice.

## **Atypical contracts and labour market reforms**

As in most countries, the development of temporary employment in Italy started at the beginning of the 1990s. Traditionally, the Italian standard work arrangement has been full-time, salaried, permanent and characterized by high degree of employment protection, mostly against dismissal. In recent decades, in the pursuit of greater flexibility, so-called atypical employment forms have grown in importance as a result of labour-market reforms that have extended and generalized the regulation of temporary jobs. The most systemic reform (the so-called 'Biagi Law' enacted in 2003) recognised the need to deal with the poor performance of the Italian labour market and to increase the rates of flexible employment, with especial regard to access to work for categories at risk of social exclusion, such as young people, women, and older persons. The Biagi Law defined a set of flexible contracts intended to regulate work flexibility, submitting it to the approval of the trade unions.

The change in labour legislation has had a not negligible impact on firms' work organization. But the magnitude and the direction of this influence is controversial. On analyzing the effects of new legislations on temporary work in the UK, Biggs, Burchell and Millmore (2006) found that the number of temporary workers declined by 24% from 1998 to 2003. This was partly due the increased employment protection afforded to such workers: for instance, the removal of some of the obstacles against employing temporary workers as permanent ones. But as Boeri and Garibaldi (2007) suggest, the relation between labour-market reforms and firms' reactions is in fact more complex. Analyzing aggregate data from a panel of European countries, they found that when flexible contracts are introduced, the firm exploits hiring flexibility in good business conditions, but cannot exploit downward flexibility in bad times, since it is constrained by the stock of insider workers. As a result, a kind of *honeymoon effect* develops in the labour market: the initial increase in the number of temporary workers is eventually dissipated by the decline of insider permanent workers.

Although the empirical findings are conflicting, a first common feature is that the legislative framework exerts a strong influence on firms' employment choices and on workers' behaviours at

work. And secondly that labour-market reforms which introduce flexible contracts generate a gap between organizational and individual expectations at work (de Jong, Shalk and Goessling, 2007).

On the one hand, indeed, firms use flexible contracts in order to reduce the quantity of labour hired: by using temporary arrangements, firms can adjust staffing levels to fluctuations in their workloads over the day, week, month or year. Flexible arrangements are also used in order to screen potential workers for regular full-time positions, to attract workers with special skills, or to accommodate employees' wishes for more flexible working schedules (Houseman, 2001). Usually, these practices give rise to a reduction in labour costs (Cipollone and Guelfi, 2006), but their abuse may harm the organization's innovative capacity (Storey, Quintas et al., 2002).

On the other hand, 'flexible employment' appears to be a composite category which includes many different types of contracts. Consequently, individual motivations concerning flexible employment are diverse and not always coincident with organizational ones: temporary work may be both involuntary (i.e. only accepted because no other option is available) or a rational choice (i.e. a way to reconcile work with other personal interests or family responsibilities, to maintain multiple jobs, to enter the labour market). This misalignment may generate a negative job experience for flexible workers characterized by (Foote, 2004): inadequate socialization; perceptions of organizational injustice; exclusion from decision-making activities; low expectations of a permanent job with the firm; relatively low age and tenure compared to permanent employees; relatively low levels of commitment to the firm compared to permanent employees.

### **Using atypical contracts strategically: organizational dimensions**

Besides the use of these flexible arrangements by firms in order to exploit short-term flexibility and cost efficiency, these types of contracts may in some cases be used to match workers' long-term personal and professional needs and the organization's requirement of a diversified workforce.

For example, Lepak and Snell (1999 and 2002) classified organizational employment arrangements (knowledge-based employment, job-based employment, contract work, alliances/partnerships) on the basis of the duration (short- or long-term) and the nature (relational or task-oriented) of the work

relationship. They suggested that firms may benefit from the simultaneous use of different employment modes according to their environmental conditions and technological development (Lepak, Takeuchi and Snell, 2003).

Other scholars (Guest, Oakley, Clinton and Budjanovcanin, 2006) have challenged the assumption that flexible workers have worse work experiences than individuals employed on typical contracts. They report that, overall, contingent workers display no differences in levels of motivation and organizational commitment compared with permanent employees.

In light of these research findings, we suggest that the legislative framework (which distinguishes typical from atypical) is only one, and sometimes not the most important, aspect considered by firms and individuals when stipulating and managing employment contracts. Indeed, other organizational aspects of the work relation are evaluated by actors, such as contractual preferences, work flexibility and risk allocation. The literature review presented in the next sections analyzes whether and to what extent these organizational variables differ among different types of employment contract.

### *Psychological contract and reciprocal expectations*

As suggested above, the reciprocal expectations held by workers concerning their obligations (i.e. what they will do for the employer) and their entitlements (i.e. what they expect to receive in return) are affected by the legislative framework: the introduction of flexible arrangements may indeed create a misalignment between firms and workers.

One of the main differences concerns the quantity and type of training offered to workers by firms.

According to human capital theory, firms invest in workers by providing initial training which enables them reach the desired level of productivity. Subsequent training within internal labour-market structures provides updated skills for new technologies and additional skills as employees climb the ladder within the firm. Firms have an incentive to engage in such human capital investment only when they expect a return greater than the cost. The firm's investment in training tends to decline with the length of time during which it expects to reap benefits: since temporary workers have short tenure with the firm, it follows that they have less opportunity to obtain training from the latter. The only training

activities offered concern firm-specific skills, which are provided informally by co-workers or supervisors in order to improve immediate productivity.

This mechanism produces a disadvantage for flexible workers with respect to permanent workers. As much research has confirmed (e.g. Forrier and Sels, 2003; Wiens-Tuerb and Hill, 2000; Virtanen, Kivimaki, Virtanen, *et al.* 2003), training for permanent employees is more frequently financed by employers than is training for temporary employees. Consequently, the loss of job security is not compensated by opportunities to enhance employability.

Because of their reduced training expectations, flexible workers are required to assume responsibility for their own professional development. The increasing opportunities for job mobility offered by temporary contracts provide a possible solution to this training demand. Studies on the 'boundaryless career' (e.g. Bird, 1994; Marler, Barringer and Milkovich, 2002) suggest that workers are comfortable with multiple work experiences because these provide opportunities to increase skills and knowledge. According to this approach, individuals are less likely to look for a permanent job because they increase their value and marketability by accumulating knowledge across employers.

On analyzing reciprocal expectations, some scholars suggest that the distinction between typical and atypical workers is only fictional and has been artificially created by the legislative framework. Rather than assuming that all types of atypical workers are alike, and that they are dissimilar to typical workers in the same job or occupation, it may be more useful to focus on workers' psychological contracts with their employers, in an attempt to understand and predict employee attitudes and behaviours. The body of research is still limited, but it is sufficient to challenge the assumption that workers on flexible contracts are invariably disadvantaged (Guest, 2004). For example, Sanders and Van Emmerick (2004) surveyed a sample of Dutch workers employed on fixed-term and permanent contracts. They found that there was no correlation between the type of contract and the number of years the worker expected to spend with the organization, and that the solidarity behaviours of employees did not differ among workers employed with different contracts. Guest *et al.* (2006) found that flexible workers who had chosen this form of employment reported a more positive 'psychological contract' than did their colleagues. It thus appears that the type of contract matters rather less to the individual than other factors, such as job design or the existence of supportive and



progressive HR policies – especially so if the type of contract is voluntarily adopted. Similarly, McLean Parks, Kidder and Gallagher (1998), on adopting the perspective of the psychological contract, argued that attempts to classify work arrangements into contractual categories is like trying to “fit square pegs into round holes”. Indeed, many work arrangements are categorized on the basis of what they most closely resemble, when in reality they may have more differences than similarities with other arrangements classified in the same categories. Hence workers with different contracts may perceive themselves as similar.

### *Risk allocation*

According to the theory of compensating differentials, workers with the same level of competence should receive different wages if their working conditions are different. Since flexible workers are subject to greater uncertainty than permanent employees, we should detect a wage premium for them.

de Graaf-Zijl (2005) drew a distinction between two kinds of uncertainty, each of which has different implications for wages. Quantity uncertainty originates from imperfect foresight about future product demand: in these situations, employers are willing to pay a premium wage for risk sharing. Quality uncertainty originates from the employers’ ex-ante inability fully to observe workers’ human capital: it produces a reduction in wages because employers do not know whether workers will meet the job’s requirements. On analyzing an administrative dataset from the Dutch Ministry of Social Affairs and Employment, de Graaf-Zijl found discrimination among different categories of atypical workers: on-call workers received a premium for providing quantity flexibility, whilst fixed-term workers’ pay was dominated by the negative wage effect of quality uncertainty.

The existence of a wage penalty for workers has been confirmed by other studies. A recent survey conducted in Italy using the 2000 and 2002 waves of the Survey of Italian Households’ Income and Wealth (Picchio, 2006) found a wage penalty for temporary workers of around 12-13%, which decreased with the increase in workers’ seniority. Similar research conducted in West Germany (Hagen, 2002) estimated the wage negative effect at between 6 to 10%. Finally, Hirsch (2005) verified a wage penalization for part-time workers employed in American companies.

The worker's perspective on uncertainty has been adopted by Louie, Ostry, Quinlan *et al.* (2006). On ordering eight job employment status categories by individual perceived job insecurity, they found that self-employed workers were the least insecure, and that permanent full-time employees reported perceptions of job insecurity equal to or slightly higher than those of their part-time counterparts. This may be explained partly by the lower expectations of job security held by temporary workers, and partly by the heterogeneity of these categories in terms of expectations.

### *Work flexibility*

As said, 'flexible workers' make up a composite category ranging from older individuals displaced by technological innovation and seeking to re-enter the labour market, through students wanting to increase their incomes during university attendance, mothers of young children, to individuals marginalized from the core labour market.

As a consequence, there are individual differences in work organization needs and demands.

A study which examined differences between voluntary and involuntary Canadian temporary employees showed that there are distinctions in terms of work flexibility requests among flexible workers (and not only between them and typical employees) (Krausz, 2000). The work conditions for individuals who prefer temporary work as a way of life are characterized by autonomy, flexibility and opportunities to use skills. In addition, such employees are more satisfied with extrinsic outcomes such as the wage and a feeling of job security. As suggested by the boundaryless career model, these workers seek mobility as a way to upgrade their skills and knowledge through different work experiences.

In addition, it should be noted that 'flexible' and 'temporary' are not synonymous. For example, some studies on temporary agencies (Gray, 2002; Krausz *et al.*, 1995) have shown that temporary workers establish a long-term relationship with their agency which may range over several months or even years. This relationship is sustained by a continuance commitment which is positively influenced by agency supportiveness. The latter is reflected in how the agency deals with problems, the career support that it provides, and the way in which it maintains close contact with its temporary workers (Van Breugel, Van Olffen and Olie, 2005). Thus, the numerical flexibility requested by firms (i.e. the

possibility to alter the number of employees working on its behalf (Atkinson, 1984)) is managed by the temporary agencies.

A diversified and flexible workforce calls for a differentiated HR management approach. Koene and van Riemsdijk (2005) suggested through analysis of two case studies that an ‘expendable’ HR management approach, with a narrowly defined, transactional employment relationship, firmly based on calculation and on the expendability of temporary employees, results in weak performance by temporary employees. By contrast, firms achieve higher performances by creating ‘tailor-made’ practices for atypical workers.

## **Research Design**

In accordance with the exploratory nature of the research project, we conducted a survey on the Italian labour market in order to describe and analyze the different perceptions and preferences of workers (actual and prospective) and firms concerning the organizational variables underlying employment contracts.

Specifically, we sought to (a) verify the relevance of the proposed organizational dimensions, and their relative importance for the respondents; (b) identify some ‘would-be contractual configurations’ which matched workers’ and firms’ expectations; and (c) critically analyze the differences between legal contracts and ‘lived’ employment relationships, considering the three critical areas highlighted by the literature review (i.e. work flexibility, risk allocation, and reciprocal expectations).

As mentioned above, the Italian context is well suited to analysis of how firms and employees ‘explore’ the set of flexible employment arrangements because of the labour-market reform recently enacted. Until a few years ago, Italy had rigid and protective labour legislation, and the culture of the ‘single-firm life-long job’ was embedded in the Italian institutional context. Today, however, there is animated political and cultural debate on the recently-introduced ‘flexible’ and ‘atypical’ contracts.

The study’s sample population consisted of 43 Human Resource Managers in medium and large Italian companies, 43 undergraduate students (attending final-year courses), and 90 workers, both (76%) flexible (not subordinate and/or temporary) and (34%) permanent.

Our sampling method is not significant from a statistical point of view. However, in accordance with our research aims, we wanted to collect some ‘could-be cases’ which showed the diversity and the composite nature of the ‘flexible employment’ population. In other words, we were not interested in analyzing ‘average’ opinions, but rather in exploring their variance and internal discrepancies.

Data were gathered by means of three different questionnaires designed for the three above-mentioned groups: workers, students (i.e. prospective workers), and HR managers.

Workers and students were requested to:

(a) choose their preferred juridical contract (according to the different options – both permanent-typical and flexible-atypical – offered by Italian labour legislation):

(b) design their ‘ideal employment contract’, independently of the juridical frame chosen,

(b.1) ranking its characteristics and

(b.2) choosing a specific configuration for each proposed characteristic and,

(c) (only for actual workers, not for students) compare it with their actual contract.

When designing their ‘ideal employment contract’, the respondents were requested to choose from among 20 contractual characteristics that we identified from the organizational literature as important in setting working relationships according to the psychological contract theory. We hypothesised three possible alternative configurations for each characteristic (see Table 1).

At the same time, we interviewed a group of HR managers by means of a semi-structured comparable questionnaire, asking them to make a similar contract evaluation using the same characteristics and considering different jobs (defined by professional role, organizational context, skills and competences required, work contents). All jobs were designed to be perceived as ‘border-line’, in the sense that they can be managed both through a typical or atypical contract arrangements, according to the juridical and legal constraints.

**Table 1. Contractual characteristics and configurations**

<b>CONTRACTUAL CHARACTERISTICS</b>	<b>CONFIGURATION 1</b>	<b>CONFIGURATION 2</b>	<b>CONFIGURATION 3</b>
<i>Right to job protection</i>	Granted at individual level, at firm level	Granted at firm level	Granted at national level
<i>Trade-union activities</i>	The same for flexible and permanent workers	Differentiated for flexible and permanent workers	Largely the same for all workers, with some specificities for different worker categories
<i>Unemployment benefits</i>	Monetary benefit	Outplacement arrangements	Training support
<i>Right to strike</i>	The same for all workers	Specifically defined for temporary and permanent workers	With some specific conditions for temporary workers
<i>Conversion of temporary contracts into permanent ones</i>	Automatic conversion after 1 year	Possibility to change or monetary benefit	Not predefined
<i>Personal accident and-or disease insurance</i>	Possibility to be temporarily substituted and then re-enter	Monetary allowance	Private insurance
<i>No. of working hours</i>	> 40 hours	Variable	< 40 hours
<i>Working location</i>	Firm's premises	Home	Mobile
<i>Bonus and incentives</i>	Mostly linked to individual performance	Mostly linked to firm performance	Both
<i>% of variable wage</i>	< 20%	From 20% to 50%	> 50%
<i>Fixed minimum wage</i>	At national level	At individual level	At firm level
<i>Empowerment</i>	Direct participation in firm decision processes	Possibility to influence the firm's decision processes	Possibility to be informed
<i>Social environment</i>	Working alone	Working with professional colleagues	Working with friends
<i>Fringe benefits</i>	Social benefits	Traditional benefits – i.e. car, mobile phone	Free time benefits – i.e. gym, theatre
<i>Working time</i>	Fixed	Almost flexible	Completely flexible
<i>Holidays</i>	Contractually defined and fixed at national/industry level	Individual autonomy	Negotiated at individual level
<i>Training opportunities</i>	Continuous training defined by employer	Training opportunities defined by both employer and employee	Decided at individual level
<i>Work content</i>	Stable	Almost stable	Completely variable
<i>Career chances</i>	Vertical internal career	Horizontal internal career	External career
<i>Duration of the employment relationship</i>	< 4 years	From 4 to 10 years	> 10 years

### *Worker preferences and the 'ideal' contract configurations*

All workers (both actual and prospective, both flexible and permanent) were requested to identify their preferred type of juridical contract and to design their ideal contracts, choosing from the proposed set of organizational characteristics (see table 1) and ranking them according to their priorities and work motivations.

Firstly, we found no correlation between the preferred juridical arrangement and the desired set of contractual characteristics.

More in detail, the contractual characteristics related to *development* (career perspectives, training opportunities, empowerment and level of autonomy in decision making process) were identified as the most important by all workers.

There was then a set of characteristics (working time, number of working hours, holidays with pay, long-term duration, location, social context) which were linked with the *work context*.

The third group of characteristics ranked by workers related to *job security* (possibility of temporary contracts being converted into permanent arrangements under defined conditions; minimum contracted wage; right to job preservation; personal accident and/or disease insurance, unemployment benefits, trade-union activities, right to strike).

Workers ranked *compensation* aspects (bonus and incentives, variable wage, fringe benefits) as the least important

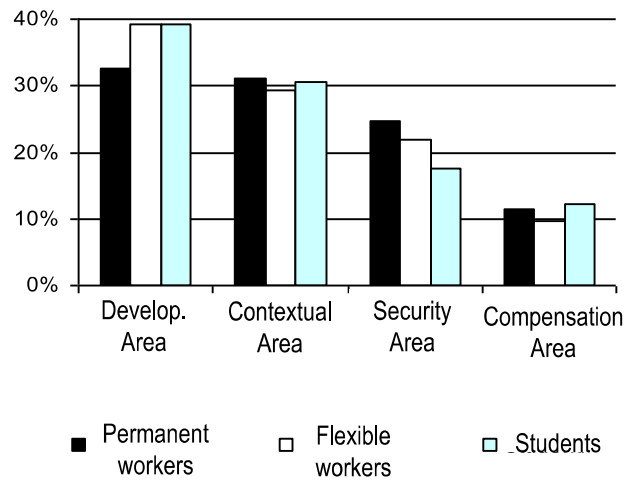
These results are consistent with Herzberg's Motivation-Hygiene Theory (1966), which stated that people are motivated by factors like development. Instead, work conditions, safety and pay are hygienic factors, which are not related to motivation but are necessary for the worker not to be dissatisfied (see Figure 1).

The detailed contractual configurations (where each content is detailed) indicated by the workers are presented in Annex 1.

In regard to the desired contractual conditions (Annex 1) a first consideration concerns the high variance in the rankings proposed. This variance confirms that idiosyncratic labour transactions can be identified at individual level according to different individual motivational structures and preferences.

There are no 'typical' configurations as opposed to atypical ones.

*Figure 1 - The preferred contractual dimensions*



Moreover, a second consideration concerns convergence on a few specific contractual characteristics. More than half of each of the three panels cite as relevant: (a) the possibility of changing job content during the employment period; (b) awareness of a certain degree of wage uncertainty and the link between individual pay and the firm’s performance; (c) the possibility of deciding whether to convert a temporary contract into a permanent one or to receive compensation for employment uncertainty at the end of the first working period (one year); (d) the possibility of having flexible working conditions considering the contextual area (working time, self-managed holidays); (e) the chance of obtaining non-traditional fringe benefits to support the work/life balance (i.e. social services).

*The ‘ideal’ contract configurations versus the real one*

The sample of workers was separated into four sub-groups, considering the possible combinations of two main features: the actual labour contract (permanent or flexible) and the ideal one (permanent vs. flexible). The four groups are detailed in **Figure 2**.

Two out of the four groups (Stable and Autonomous workers) were in a consolidated position, being confident with their actual contract arrangements. The other two groups (Unstable workers and Prisoners) were to a certain extent ‘displaced’, because they were dissatisfied with their contractual situation and wanted to change it.

*Figure 2 – Actual contract vs. desired contract*

<i>Actual contract</i>	Permanent	<b>Stables</b> 26%	<b>Prisoners</b> 8%
	Flexible	<b>Unstables</b> 42%	<b>Autonomous</b> 24%
		Permanent	Flexible
<i>Desired contract</i>			

Each group is characterized by certain idiosyncratic features in terms of the contract desired. Stable workers look for stable and explicit job content, a fixed workplace, defined working hours, long-term employment relationships. Prisoners want stable and explicit work content as well, but they are willing to accept a certain degree of uncertainty relative to their wage in order to develop a boundaryless career across industries and professions, and to increase their organizational responsibility. Autonomous workers are challenged by changing working contents, and they look for employability, empowerment and compensation contracted at individual level.

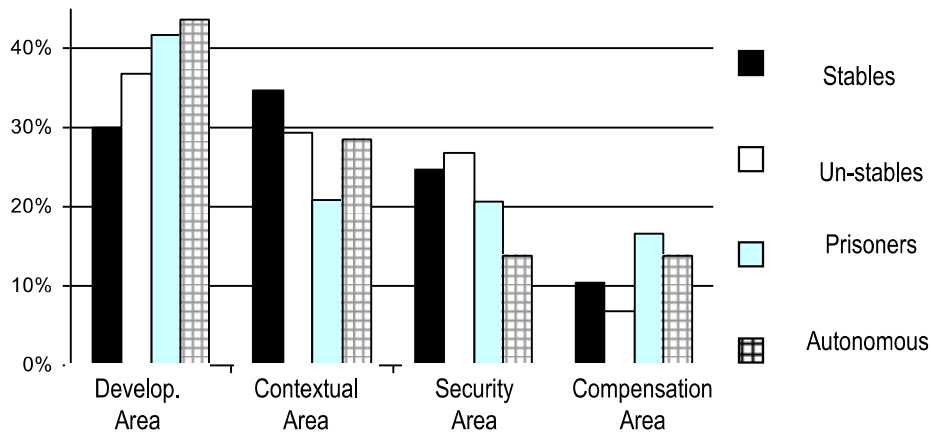
Finally Unstable workers are willing to self-manage their professional development, but they desire a higher level of protection in terms of working rights (such as the right to strike, right to job preservation) and wage level (established nationwide)

*Figure 3* shows the different preferred contractual areas for each group.

The characteristics related to Development area are the most important for Autonomous workers, Prisoners and Unstable workers. Autonomous workers are not concerned about security aspects compared with other groups. Stable workers pay close attention to Contextual characteristics. Instead, Unstable workers are concerned about security to such an extent that they neglect pay conditions. Finally, Prisoners are interested in compensation policies and development possibilities more than are the majority of workers.



*Figure 3 – The preferred contractual dimensions for the workers*



*Firms’ preferences and the ‘ideal’ contractual configuration*

The group of HR managers was involved in the research in order to consider the firm’s perspective. We designed a questionnaire for HR managers to collect their preferences concerning contractual flexibility when they managed the recruitment of some ‘archetypical’ job profiles (defined by professional role, organizational context, skills and competences, work contents). All jobs were designed so that they were perceived as borderline, in the sense that they could be managed with both typical or atypical contracts.

The HR managers had to identify not only the juridical contract, but the specific organizational conditions that they intended to apply for each job profile. The conditions proposed were the same as for workers and students.

Generally, the HR managers gave much more importance to Contextual area characteristics than to others. After establishing a ‘good context’ for work, they were willing to offer workers professional development possibilities, to design a composite compensation package, and then to set security aspects. From this configuration there emerged a major difference with respect to the contractual conditions desired by workers.

Another interesting result concerns the importance assigned to Contextual conditions for flexible workers, who were *de facto* more interested in Development possibilities. Instead, Contextual

conditions were more valued by Stable workers. By contrast, HR managers offered Development opportunities to permanent workers, but these aspects were more valued by temporary workers.

Generally, firms paid little attention to security characteristics, and in this they aligned with the so-called Autonomous workers, who, on the contrary, were uninterested in a stable employment relationship. All the other groups paid more attention to job security than did the firms (even if security characteristics did not occupy the first positions in all the workers' rankings).

HR managers gave more importance to compensation aspects than did workers themselves.

Considering career development, HR managers were willing to offer hierarchical and internal careers to permanent workers, but the same workers wanted more industry and functional mobility (i.e. horizontal careers).

Moreover, the HR managers designed contracts for flexible workers which provided less content variability, less working flexibility, less empowerment, and less monetary incentives than the workers themselves wanted.

## **Discussion and conclusion**

The paper has critically analyzed the presumed 'atypicality' of the flexible arrangements widely introduced in many countries by recent labour-market reforms. Its assumption has been that, from an organizational point of view, there is no clear distinction between so-called typical and atypical contracts, and that the diversity of flexible contracts (the diverse contractual arrangements introduced by law) is partially fictitious. Indeed, there are some organizational cross-dimensions that are equally important for both flexible and permanent workers, and they are the main areas on which negotiation (both contractual and psychological) between firms and workers focuses. These three dimensions, which emerged from the literature review and which are confirmed by our research findings, are: contractual preferences, work flexibility, and risk allocation.

As regards psychological contracts and *reciprocal expectations*, the research findings partially confirm the main results of previous studies.

Firstly, we have found a misalignment between firms' and individuals' contractual preferences. Indeed, even if both flexible and permanent workers seek opportunities for professional development, firms are willing to pay for training activities only in the case of long-term relationships. By contrast, the concern of firms for flexible workers is focused on contextual conditions and wage. This behaviour is consistent with the organizational necessity to manage flexibility. At the same time, it could be said that shorter working hours combined with workplace flexibility and a higher wage might allow flexible workers to manage their employability for themselves. However, the Italian labour market still has a number of rigidities, such as reduced mobility and reduced provision for individual training, so that workers do not take these opportunities. It is probable that with the increasing adoption of flexible contracts, increasing numbers of individuals will find themselves in critical situations concerning their employability: the concept of lifelong learning plays a key role in this regard. The employee, the employer and the state can all profit from lifelong learning, since it is a prerequisite for continuous employment. Consequently, they should all be involved in the financing of training activities, with a major role played by state. The state could offer state-funded entitlements for target groups with special labour-market risks (e.g. tax-financed training vouchers); or unemployment insurance could be changed into 'employability insurance' whereby a proportion of social security contributions are paid into a personal training account which can be used to finance school and qualification.

Secondly, our results have confirmed that the separation between flexible and permanent workers and among different kinds of flexible workers is mostly created by law. It is not perceived by firms and individuals. All workers are strongly interested in work content and career opportunities, which they assess as the most important characteristics of the desired contract. Moreover, eight out of the first nine characteristics of the ideal contract are the same, being ranked in only a slightly different order.

As regards risk allocation, the research findings have shown an apparent paradox. The groups of worker with the most secure work situations (i.e. are employed on permanent contracts) are the most risk averse. Why does a worker with a 'job for life' place so much importance on certain security conditions? Probably, insider-permanent workers want to reinforce their working positions, so that they ask for even greater employment protection. Instead of being a set of conditions which protect all

workers, regardless of their types of employment contract, security aspects may therefore perpetuate discrimination among workers.

Flexible workers are more willing to accept money for security, asking for greater weight to be given to the variable wage. By contrast, firms prefer to keep the percentage of variability below a certain level so that they can individualize the minimum wage. As previous research has shown, high benefits in cash in the event of job loss may induce employees to accept the risk of becoming unemployed.

Yet our findings suggest that the problem of job insecurity is more complex, because not only can subjective job insecurity influence professional performance (for both permanent and flexible workers) but compensation is not the panacea to reduce the subjective feeling of job insecurity. Indeed, other organizational conditions (for example, training opportunities to increase employability, outplacement or relocation policies, transparency of the internal labour market and of recruitment policies) and institutional ones (for example, social insurance coverage for flexible workers, or incentives for firms which substitute dismissals of flexible workers with internal adjustments) are required.

Finally, concerning *work flexibility*, another misalignment between firms and workers has emerged from the research. Flexible workers are mainly employed by firms in order to solve problems of numerical flexibility (i.e. the possibility to vary the amount of labour employed in response to product market variability and to curb labour costs). Instead, their desired contractual conditions showed that they are willing to offer functional flexibility to firms (i.e. the possibility to vary the amount and type of labour used without resorting to the external labour market, which can be accomplished by having a workforce able to carry out a wide range of tasks). As for reciprocal expectations, firms demonstrate the relative immaturity of the Italian labour market, where 'flexible' workers are taken to be 'temporary' or 'contingent', where organizations are not yet able to distinguish among different flexible worker categories, and where skilled flexible workers are not yet a recognized professional group.

## Annex 1

### *E.1 Desired contractual configuration for the permanent workers*

<b>Ranking</b>	<b>Specific dimensions configuration</b>
1 Work content	<i>Possibility to change through time and across industries and professions</i>
2 Career	<i>Possibility to change job and role within company</i>
3 Working location	<i>Fixed</i>
4 Bonus and incentives	<i>Both linked to firm's performance and individual performance</i>
5 Conversion of temporary contracts into permanent arrangements	<i>Possibility to decide to change the contract or to have a different allowance, after one working year</i>
6 Minimum wage	<i>At national level</i>
7 Social relationship	<i>Working with competent colleagues to develop personal skills</i>
8 Working time	<i>Flexible time</i>
9 Training	<i>Fixed and personal annual budget for training activities</i>
10 Duration of the relationship	<i>From 4 to 10 years</i>

### *E.2 Desired contractual configuration for the flexible workers*

<b>Ranking</b>	<b>Specific dimensions configuration</b>
1 Work content	<i>Possibility to change through time and across industries and professions</i>
2 Career	<i>Possibility to change job and role within company</i>
3 Social relationships	<i>Working with competent colleagues to develop personal skills</i>
4 Training	<i>Fixed and personal annual budget for training activities</i>
5 Conversion of temporary contracts into permanent arrangements	<i>Possibility to decide to change the contract or to have a different allowance, after one working year</i>
6 Working time	<i>Time flexibility</i>
7 Empowerment	<i>Possibility to influence firm's decisions</i>
8 Bonus and incentives	<i>Both linked to firm's performance and individual performance</i>
9 Minimum wage	<i>At individual level</i>
10 Paid Holidays	<i>Flexible</i>

### *E.3 Desired contractual configuration for the students*

<b>Raking</b>	<b>Specific dimensions configuration</b>
1 Career	<i>Vertical and within a single organisation</i>
2 Work content	<i>Possibility to change through time and across industries and professions</i>
3 Training	<i>Fixed and personal annual budget for training activities</i>
4 Working time	<i>Time flexibility</i>
5 Social relationship	<i>Working with competent colleagues to develop personal skills and to share personal relationships</i>
6 Minimum wage	<i>At organisation level</i>
7 Bonus and incentives	<i>Both linked to firm's performance and individual performance</i>
8 Working location	<i>Possibility to travel and to constantly change working location</i>
9 Empowerment	<i>Possibility to joint the board of management</i>
10 Conversion of temporary contracts into permanent arrangements	<i>Possibility to decide to change the contract or to have a different allowance, after one working year</i>

## Bibliographic references

- Atkinson, J. (1984). 'Manpower strategies for flexible organisations'. *Personnel Management*. August: 28 – 31.
- Biggs, D., Burchell, B. and Millmore, M. (2006). 'The changing world of the temporary worker: the potential HR impact of legislation'. *Personnel Review*, 35 (2): 191-206.
- Bird, A. (1994). 'Careers as repositories of knowledge: a new perspective on boundaryless career'. *Journal of Organizational Behavior*, 15: 325-344.
- Boeri, T. and Garibaldi, P. (2007). 'Two tier reforms of employment protection: a honeymoon effect?'. *The Economic Journal*, 117: 357-385.
- Cipollone, A. and Guelfi, A. (2006). 'The value of flexible contracts: evidence from an Italian panel of industrial firms'. *Banca d'Italia, Temi di discussione*, n.583, marzo.
- de Graaf-Zijl, M. (2005). 'Compensation of On-Call and Fixed-Term Employment: The Role of Uncertainty'. *Tinbergen Institute Discussion Paper*, TI 2005-120/3
- De Jong, J., Shalk, R. and Goessling, T. (2007). 'An Institutional Perspective on the Employment Position of Temporary Workers in the Netherlands'. *Relations Industrielles/Industrial Relations*, 62 (3): 492-515.
- Foote, D. (2004). 'Temporary workers. Managing the problem of unscheduled turnover'. *Management Decision*, 42 (8): 963-973.
- Forrier, A. and Sels, L. (2003). 'Temporary employment and employability'. *Work, employment and society*, 17 (4): 641 – 666.
- Gray, A. (2002). 'Jobseekers and gatekeepers: the role of the private employment agency in the placement of the unemployed'. *Work, employment and society*, 16 (4): 655-674.
- Guest, D. (2004). 'Flexible employment contracts, the psychological contract and employee outcomes: an analysis and review of the evidence'. *International Journal of Management Reviews*, 5/6 (1): 1–19.
- Guest, D., Oakley, P., Clinton, M. and Budjanovcanin A. (2006). 'Free or precarious? A comparison of the attitudes of workers in flexible and traditional employment contracts'. *Human Resource Management Review*, 16: 107-124.
- Hagen, T. (2002). 'Do temporary workers receive risk premiums?'. *Labour*, 16 (4): 667-705.
- Herzberg, F. (1966). *Work and the Nature of Man*. Cleveland: World Publishing Company.
- Hirsch, M. (2005) 'Why do part-time workers earn less? The role of worker and job skills'. *Industrial and Labor Relations Review*, 58 (4): 525-551.
- Houseman, S. (2001). 'Why employers use flexible staffing arrangements: evidence from an establishment survey'. *Industrial and Labor Relations Review*, 55 (1): 149-170.
- Koene, B. and van Riemsdijk, M. (2005). 'Managing temporary workers: work identity, diversity and operational HR choices'. *Human Resource Management Journal*, 15 (1): 76-92.
- Krausz, M. (2000). 'Effects of short – and long-term preference for temporary work upon psychological outcomes'. *International Journal of Manpower*, 21 (8): 635 – 647.
- Krausz, M., Brandwein, T. and Fox, S. (1995). 'Work attitudes and emotional responses of permanent, voluntary, and involuntary temporary-help employees: an exploratory study'. *Applied Psychology: An International Review*, 44: 217-232.
- Lepak, D. and Snell, S. (1999). 'The human resource architecture: Toward a theory of human capital allocation and development'. *Academy of Management Review*, 24: 31-48.
- Lepak, D. and Snell, S. (2002). 'Examining the human resource architecture: The relationships among human capital, employment, and human resource configuration'. *Journal of Management*, 28: 517-533.
- Lepak, D., Takeuchi, R. and Snell, S. (2003). 'Employment flexibility and firm performance: examining the interaction effects of employment mode, environmental dynamism, and technological intensity'. *Journal of Management*, 29 (5): 681-703.

- Louie, A., Ostry, A., Quinlan, M. et al. (2006). 'Empirical Study of Employment Arrangements and Precariousness in Australia'. *Relations Industrielles/Industrial Relations*, 61 (3): 465-489.
- Marler, J., Barringer, M. and Milkovich, G. (2002). 'Boundaryless and traditional contingent employees: worlds apart'. *Journal of Organizational Behavior*, 23: 425-453.
- McLean Parks, J., Kidder, D. and Gallagher, D. (1998). 'Fitting square pegs into round holes: mapping the domain of contingent work arrangements onto the psychological contract'. *Journal of Organizational Behavior*, 19: 697 – 730.
- Picchio, M. (2006). 'Wage differentials and temporary jobs in Italy'. *Discussion Paper*, Département des Sciences Economiques de l'Université catholique de Louvain, 3.
- Sanders, K. and van Emmerick, H. (2004). 'Does Modern Organization and Governance Threat Solidarity?'. *Journal of Management and Governance*, 8: 351–372.
- Storey, J., Quintas, P., Taylor, P. and Fowle, W. (2002). 'Flexible employment contracts and their implications for product and process innovation'. *International Journal of Human Resource Management*, 13 (1): 1-18.
- Van Breugel, G., Van Olffen, W. and Olie R. (2005). 'Temporary liaisons: the commitment of 'temps' towards their agencies'. *Journal of Management Studies*, 42 (3): 539-566.
- Virtanen, M., Kivimäki, M., Virtanen, P. et al. (2003) 'Disparity in occupational training and career planning between contingent and permanent employees'. *European Journal of Work and Organizational Psychology*, 12: 19–36.
- Wiens-Tuers, B. and Hill, E. (2000). 'Do they bother? Employer training of temporary workers'. *Review of Social Economy*, LX (4): 543-566.