

# Improving the Flexibility of Employment in Polish Economic Practice

A. Bodak, A. Cierniak-Emerych, M. Gableta, A. Pietroń-Pyszczek, and K. Piwowar-Sulej

**Abstract**—Modern organizations operate under the pressure of dynamic and often unpredictable changes, both in external and internal environment. Market success, in this context, requires a particular competence in the form of flexibility, interpreted here both on the level of individuals and on the level of organization. This paper addresses the changes taking place in the sphere of employment, as observed in economic entities operating on Polish market. Based on own empirical studies, the authors focus on the progressing trend of ‘flexibilization’ of employment, particularly in the context of transformations in organizational structure, designed to facilitate the transition into management by projects and differentiation of labor forms.

**Keywords**—Flexibility of employment, changes in organizational structure, forms of employment, social effects of flexibility.

## I. INTRODUCTION

THE increased variability of conditions defining the operating environment of modern economic organizations has put a new emphasis on the notion of ‘flexibility’. In the context of this deliberation, flexibility refers to the ability or susceptibility of a given state (system) to adapt to new or changed environmental conditions [1]. This type of competence entails a continuous strive to build and maintain equilibrium under the pressure of changes within organizations. The changes, as opposed to rigid (inflexible) approach, allow the organizations to increase their operational flexibility, as an important determinant of company success.

Market success requires accurate determination of the most important decision areas and putting them in the proper focus. Human resource aspects are, without question, one of such areas, and one that defines and permeates all other areas of company operation. The most noticeable trend in the HR area is the gradual departure from traditional models and solutions, such as the paradigm of permanent employment and job stability. These are replaced by unconventional solutions, particularly those that offer increased flexibility.

The above trend is propagated mainly by changes in company external environment, such as those resulting from technological progress and informatization of economies and societies, as manifested by the present boom in the IT sector and the growing interest and use of computers and the Internet. Another noticeable trend is the gradual reduction of working time regulations, accompanied by the introduction of

new forms of labor aimed at better distribution of labor resources among the employees. This trend is further enhanced and supported by state policies and trade union postulates.

New forms of labor and employment are also shaped as a result of changes in other areas of company operation. These include the changes in organizational structure, brought about by the shift towards management by projects and the broadened scope of activities delegated to project teams. The trend is particularly well-reflected in project-oriented organizations, i.e. companies that supplement traditional functional structure by elements of project-based (or task-oriented) structure. The operation of project-oriented organizations generates new, untraditional conditions of employment and labor. The trend is also reflected in HR area, particularly in practical realization of certain elements of company personnel function, insofar as they pertain to formation of unstable working posts.

The problem of unstable workplace assignments forming in parallel or in place of stable workplace assignments already affects a large part of companies operating in Poland. The process is clearly enhanced by the EU requirements in the area under study, but also by changes in employment model, as reflected in the following [2]:

- allocation of stable and unstable workplace assignment areas, in line with company current objectives and plans,
- the choice of suitable forms of employment within the limits sanctioned by Polish legislature; domestic regulations require that forms of employment be specified in work agreements signed between the employer and the prospective employee.

Incidentally to the use of the term ‘employee’, it must be noted that Polish Labour Code [3] provides the following definition of an employee: “... a person employed on the basis of an employment contract, nomination, election or cooperative contract of employment”, i.e. a person entering into a formal employment relationship. Flexibility of employment is reflected here in the topical trend of employing personnel on the basis of formal contracts, but supplemented by additional use of non-employment forms of labor, including civil code agreements. However, in Polish economic practice, the term ‘employee’ is typically used to describe all the personnel, with no regard for the aforementioned legal delineation. In other words, the term ‘employees’ refers to company personnel, regardless of the particulars of their contract or agreement. This pragmatic approach is also reflected in professional literature and used in this study.

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This paper presents changes in the sphere of employment, as observed in companies operating on Polish market. The main emphasis is put on increased flexibility of employment, resulting from transformations of organizational structures, both in the context of the shift towards management by projects and the liberalization of employment relationship forms to suit particular objectives and plans of companies in Poland.

Deliberations presented herein are based on empirical studies conducted by these authors, with varied intensity, since the year 2000, among a large number of companies representing varied businesses, size and ownership structure. The empirical studies were largely structured and concentrated on personnel function as well as changes observed within this sphere of company activities [4]-[9]. The main research method used in the study was a structured interview, in the form of a standardized questionnaire. The questionnaire was subject to constant verifications and updated to reflect changes observed in company environment. In the late phase of the research, the study project was supplemented by an extensive questionnaire survey of more than 240 companies, to encompass the area of employee interests realization, both in the context of interests protected by law and legislature, and those within the authority of company management [10]. This study utilizes only those parts of research results that apply directly to the observance of employee rights in respect to the ongoing process of employment 'flexibilization'. In-depth interviews were also used to encompass project-oriented organizations, mainly in IT, energy, finance and production sectors. IDI methods provided, among other things, important conclusions in respect to realization of the personnel function in project-oriented companies. This particular aspect was found crucial in the context of flexibility of operation in the area under study.

## II. DECISION-MAKING FLEXIBILITY IN THE EMPLOYMENT SPHERE

Decision-making flexibility in the personnel sphere should be analyzed in its quantitative, temporal and functional aspects. Quantitative flexibility – the central aspect of this study – manifests itself mainly through formulation of employment agreements. These include permanent vs. fixed-term contracts, full-time vs. part-time contracts, and civil code agreements, such as commission contracts and works contracts. In Polish economic practice, employment flexibility can also be associated with self-employment, as a particular form of job creation involving delegation of tasks to proprietorship companies. This type of arrangement is often used to side-step legal obligations of formal employment, by turning it into a business cooperation model. Due to the scale of this phenomenon in Poland, self-employment can be perceived as a manifestation of employment flexibility. Management contracts, employee lease agreements and outsourcing are also popular and widely used [11].

It must be noted that the 'flexibilization' process in Poland is largely constrained and slow, mainly due to fact that employees are 'attached' to fixed-term employment standards.

More and more Polish employers perceive this as the main barrier in the process of adapting to changing market conditions. The need for limitation of formal employment protection is often voiced, as is the need for transforming the outdated approach to workplace arrangements in Poland.

Labor cost reduction is a priority in the process of employment optimization. Cost reduction is typically accomplished through layoffs and through increased use of civil code agreements. This approach gives rise to conflicts, both with individual employees and the trade union structures. Labor court claims are filed, productivity suffers, and employer image takes a drop. To avoid these problems, some companies make use of outsourcing models, that is: "sectioning off certain functions of company organizational structures and delegating them to separate economic entities" [12]. Oftentimes, the 'disposal' of certain tasks results in considerable improvement of company financial standing. Self-employment is used in Polish economic practice to similar effect, since it allows the company to economize on social security dues and taxes.

In the context of non-standard forms of employment, it must be noted that the resulting employment flexibility largely simplifies the decision-making processes, since employment forms may be adjusted to meet the current objectives, particularly in the face of dynamic changes in work demand.

Modern companies gradually evolve towards reduction of the permanent portion of their employment, i.e. persons employed to perform the core functions and tasks. Permanent contract is the most advantageous type of work agreement in this group. Fig. 1 illustrates this trend in graph form.

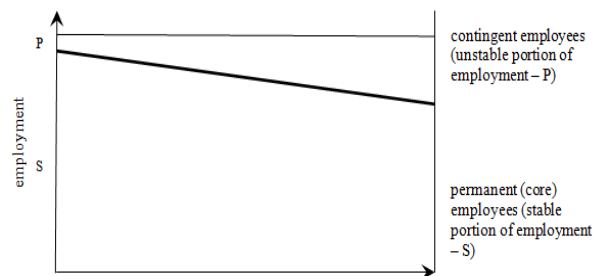


Fig. 1 Trend of changes in proportion of stable and unstable portion of employment in companies operating in Poland Source: own research

The remaining portion of employment is represented by contingent employees (unstable portion of employment). Despite numerous advantages of flexible employment, the number of contingent employees loosely attached to companies grows at a meagre rate. It may be expected that changes and trends in the evolution of organizational structures towards task-oriented management will force companies to adopt flexible solutions in this area, since such an approach limits barriers to adaptation, while retaining the competitive advantage of the company as a whole.

### III. SPECIFICITY OF PERSONNEL SPHERE IN PROJECT-ORIENTED ORGANIZATIONS

One of the most notable manifestations of contextual HR management is the flexibility of employment associated with the use of certain changes in the organizational structure. Project-oriented organizations typically make good use of the so-called matrix structures, i.e. structures that incorporate features of functional and task-oriented structure.

Consequently, project-oriented organizations can be analyzed from the viewpoint of two separate structures of personnel function: one involved with general management, and one directly related to the task at hand. This concept is related to the double-track nature of task completion process (Fig. 2).

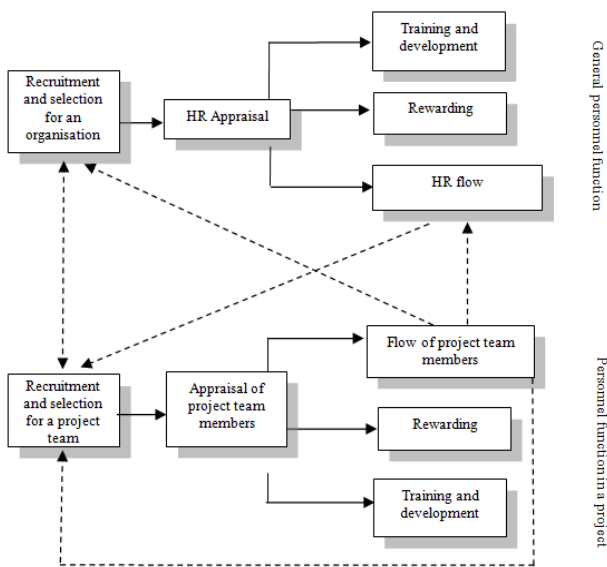


Fig. 2 Double-track diagram of personnel function in project-oriented organizations [13]

Recruitment and candidate selection in companies is triggered by the shortage of persons with competences required for the task at hand. The above functions, as well as the remaining elements of the personnel function, apply also to single project management. It may be useful at this point to address the problem of selecting members for the project team.

When faced with shortage of candidates for the project team, companies recruit them outside their organizational structure. In effect, persons acquired for the task become company employees. This is particularly evident in the context of persons employed under commission agreements. Under Polish labor code, commission agreements should include a full job description and its placement within the organizational structure of the company (by assigning the job to a specific organizational unit). Taking into account the relatively short duration and the steep competence requirements associated with such projects, external specialists are often employed on the basis of civil code agreements.

Project team members may also be acquired from within the organization. If this is the case, employees are temporarily assigned to the project, while retaining their previous association with a fixed organizational unit. Thus, at the *HR flow* stage of the personnel function, required resources are directed to the *recruitment and selection* stage (see Fig. 2; the directions are marked with a dashed line).

After project completion, project team members may be recruited for another project or reassigned to their original units of company organizational structure. Empirical studies show that, in some cases, external project team members may also be offered employment in the permanent organizational units after project completion. This is a good example of the relationship between *HR flow* stage of the project and the *selection and recruitment* and *HR flow* stages of the general organizational structure [14].

The above specificity of personnel management function in project-oriented organizations seems to attest to viability, or, to put it more accurately, the need to increase flexibility of employment, most notably in its quantitative aspect – in close relation to the size of project teams and the scope of the task at hand – mainly through proper diversification of the forms of employment used. This involves the use of varied forms of employment, both in the stable and unstable portion of company employment. It may be safely concluded that management through projects imposes flexibility in the area under study, mainly through the use of civil code agreements and employee lease agreements, since – as already mentioned – both the team managers and project team members may be:

- already associated with the company, irrespective of the project at hand,
- acquired for the duration of the project or for a shorter term, as needed for realization of partial objectives.

It should also be noted that project teams may include persons with proprietorship status (one-man companies). However – as in the case of commission agreements – proprietorship contractors may be already affiliated with the company on permanent basis or acquired for a single project. In this context, it may be useful to observe the growing number of freelance contractors on the labor market, i.e. persons without permanent employment, commissioned to perform a variety of services for companies. Freelancers typically specialize in a narrow field of services. Being an expert in a particular field gives them the freedom to single out the best contracts at will. Some people even specialize in project management services, as attested by the recent rise of *interim manager* profession [15].

### IV. SOCIAL EFFECTS OF INCREASE IN EMPLOYMENT FLEXIBILITY

The above changes in the sphere of employment are a mixture of opportunities and risks, forcing employees to tread carefully and be open to opportunities as they arise. New approach to employment modifies the existing workplace conditions, affecting the learned patterns of behavior and value systems. All this may negatively impact their job

satisfaction and undermine their involvement in long-term company development.

Flexibility is a system property manifested in the ability to initiate changes within the existing rules of operation. It is expressed in three basic dimensions [16]:

- versatility – company potential, as measured by the diversity of projects and tasks (either realized or deemed attainable) or the probability of satisfying market demand by accomplishing the tasks;
- time dimension, describing the time of response to changes in the external or internal environment;
- economic dimension, as expressed by the effectiveness in realization of the ever-changing tasks.

It seems that the former two dimensions are particularly important in the context of analyzing human activities in project-oriented work environment, since task realization and goal accomplishment are largely dependent on the accuracy of decisions made by internal stockholders, i.e. by members of the project team. In this respect, it seems important that members of the project team be selected on the basis of their identification with the project at hand and with goal accomplishment, but – at the same time – capable of ‘seizing the opportunity’ and responding promptly to signals and stimuli from within the organization or from the market.

In this context, improving employment flexibility seems of the utmost importance, particularly in respect to company versatility, which may also involve departure from the traditional objectivity of remuneration towards one based on individual accomplishments and merits.

M. Armstrong suggests that principles of employment flexibility, interpreted here as a method of increasing effectiveness of companies (also project-oriented organizations) can be described in six dimensions. The six forms of flexibility, in Armstrong’s approach, are: the flexibility of agreement provisions; of work time; of workplace; of skills; of organization; and of remuneration. Each of the six dimensions of flexibility has its specific features, and each can be applied in a particular context [For a detailed elaboration, see: 17]. Taking into consideration the fact that project-oriented organizations typically place emphasis on the aspects of time and form of employment, those two dimensions of flexibility may (and should) be used to best effect.

With reference to company flexibility in the context of time and employment form, project-oriented organizations should favor such solutions that result in short-term involvement, particularly when project team members are acquired from external market. Short-term employment offers the benefit of discontinuing the contract if a particular team member is found in default of task or job requirements. At the same time, flexible forms of employment and work organization do not pose a barrier to contract continuation or even long-term employment with respect to valuable and productive members of the team.

It must be noted that the flexibility of employment may drastically alter workplace relations and the modification of work conditions is not always received with enthusiasm. In

effect, winning the favors and acceptance of employees seems of great importance for the organization that adopts such changes. Thus, when speaking of employment flexibility, one should be aware of the potential responses and effects of such change. These may be formed on the basis of cultural determinants, attitudes and the general reluctance to risk. Potential responses may involve:

- reluctance to give up the benefits of works contract (particularly fixed-term contracts) which – in Polish economic practice – offer considerable protection of employment status;
- the fear of bearing the cost of equipment and workplace organization outside company structures. Such investment may seriously affect family budget, particularly in the case of young employees still trying to work their way up, with no material support and often without proper accommodation (the latter being relatively common situation in Poland);
- the fear of taking up the risks and consequences of being an individual contractor, particularly with respect to self-employment. The fear may be related to the popular belief that starting and running business in Poland is an ordeal. It should be noted here that self-employment is particularly challenging to persons who believe that being a hired worker is the only way to provide for oneself and the family.

In employees’ reception, the strive for employment flexibility is often equated with precedence of the employee’s interests and marginalization of employees’ expectations. In Polish economic practice, employees still perceive flexibility in terms of ‘losing the job’, rather than ‘continuing’ employment in another form. Again, this attitude is largely determined by cultural factors, but also by inadequate representation of ‘flexible employment’ in Polish legal norms and standards.

Being flexible towards work time, work place and job character is in the best interest of employees, as is the need for continuous improvement of competences through life-long learning. This is the only way to develop and sustain personal attributes required and sought after in modern workplace, and the only attitude that increases employability. In this context, work satisfaction and well-being of employees should be addressed with care, and resolved as part of the motivation process.

From employee’s viewpoint, improving employment flexibility means ‘trading’ the comfort and safety of permanent employment for versatility and vast opportunities of temporary assignments. In the same way, work routine and resulting burnout can be traded for diversity and renewed interest in work-related tasks. Flexible employment is a chance to adopt a responsible attitude towards own professional and personal development, one that requires constant learning and adaptation. For these reasons, departure from fierce defense of permanent jobs (largely prevalent in Polish economic practice) seems outdated and exaggerated. Modern employees should strive for flexibility in their work time, job character and workplace assignments. This attitude should be supplemented by constant learning, with the aim of

improving competences. Long gone are the times of 'jobs to be had', replaced by the predominant stance of 'tasks that need done'. This change favors people who are flexible, innovative and entrepreneurial in their work attitudes, behaviors [18] and competences.

Changes within work environment give rise to questions about consequences of this permanent barrage of risks and opportunities that falls upon employees in modern times. In this context, it may be useful to evoke the opinion of R. Sennet [19], who warns against the harmfulness of being subject to the constant obligation of flexibility, conformism and adaptation to ever-changing orientations. Lack of care for human well-being may negatively impact interpersonal communication (among other things), with detrimental effect on teamwork, cooperation and involvement in company matters. It seems that there are limits to human flexibility, and these limits are ingrained in human psychosomatic construction. These limits should be studied, recognized and respected also in the economic practice, as part of the management process – an important challenge for future research.

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