Understanding Nonstandard Work Arrangements: Using Research to Inform Practice

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The world of work is changing. More people around the world are in work arrangements that we would not have recognized a few decades ago. People work for short periods of time, in multiple organizations with which they do not have an employment relationship and at a distance from the primary place of employment. In 2013, across the Organisation for Economic Co-operation and Development (OECD) countries, one out of three jobs was nonstandard, including jobs held by part-time, short-term or self-employed workers (Financial Times, 2015). The numbers remained substantially the same in 2015 (OECD, 2015). These figures, combined with rapid technological and economic changes, might have provided the impetus for the International Labor Organization in 2015 to launch its Future of Work Initiative, which includes a focus on nonstandard work arrangements around the world. Although some have applauded the flexibility that is now available to some categories of workers (e.g., Barley & Kunda, 2004), others have cautioned that these work arrangements have given rise to the precariat, individuals who are characterized by their insecure position in society (e.g., Standing, 2011).

**ABSTRACT**

This paper provides a literature review on nonstandard work arrangements with a goal of answering four key questions: (1) what are nonstandard work arrangements and how prevalent are they; (2) why do organizations have these arrangements; (3) what challenges do organizations that adopt these work arrangements face; and (4) how can organizations deal with these challenges?

Nonstandard workers tend to be defined as those who are associated with organizations for a limited duration of time (e.g., temporary workers), work at a distance from the organization (e.g., remote workers) or are administratively distant from the organization (e.g., third-party contract workers). Organizations use these kinds of workers to minimize costs, increase flexibility or take advantage of technology. However, there are unanticipated costs associated with these work arrangements. These costs stem from the challenge of managing the social exchange between workers and the organization, coordination of work and social integration in the workplace, and employee identification with the organization. We suggest some actions that organizations need to take when employing nonstandard workers.
Also, in the academic world, there have been multiple review articles written about nonstandard or alternate work arrangements and the challenges they pose for organizations. What do we know about this phenomenon and the consequences that flow from it? In this paper, we look to the academic literature on nonstandard work to answer four key questions: (1) what are nonstandard work arrangements, and why should we care about them; (2) why do firms have these work arrangements; (3) what challenges do organizations that adopt these work arrangements face; and (4) how can organizations deal with these challenges?

**Defining Nonstandard Work**

Who is a nonstandard worker, and what are nonstandard work arrangements? This catch-all term includes, among others, individuals who work part-time, on temporary contracts, on an on-call basis, as third-party contractors or remotely.

One of the most influential definitions of nonstandard workers was provided by Pfeffer and Baron (1988), who categorized nonstandard workers into three broad groups:

- Those who have a limited temporal attachment to organizations, such as temporary and part-time workers.
- Those with limited physical attachment to the organization, such as teleworkers or those who work at home.
- Those with limited administrative attachment to the organization, such as those who are employed through labor intermediaries or are independent contractors.

**Figure 1: Examples of Workers in Nonstandard Work Arrangements**

<table>
<thead>
<tr>
<th>Limited Temporal Attachment</th>
<th>Limited Physical Attachment</th>
<th>Limited Administrative Attachment</th>
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<tbody>
<tr>
<td>Temporary workers</td>
<td>Telecommuters</td>
<td>Third-party contractors</td>
</tr>
<tr>
<td>On-call workers</td>
<td></td>
<td>Independent contractors</td>
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<td>Direct-hire temporary workers</td>
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What Is the Magnitude of This Phenomenon?

One of the challenges in making clear cross-national comparisons of the magnitude of nonstandard work arrangements is that governments define key terms differently. Nevertheless, the numbers of workers in nonstandard arrangements across countries are not trivial. For example, in China between 2008 and 2010 the number of urban workers who held temporary jobs more than doubled to a total of more than 60 million, or one-fifth of the workforce (Liu, 2015). The U.S. Bureau of Labor Statistics in 2005 reported that more than 11 percent of workers in the U.S. workforce were nonstandard workers, including independent contractors, on-call workers, temporary help agency workers and workers provided by contract firms. In India, contract workers formed approximately 20 percent of the workforce in the manufacturing industry in 2001, compared with 10 percent of the workforce in 1991 (Bhandari & Hesmati, 2006). In the OECD countries, the share of temporary employment as a percentage of total employment has remained between 11 and 12 percent since 2000, with some countries, such as Poland, reporting more than 28 percent of the workforce in temporary employment, while others, such as the

Figure 2: Incidence of Temporary Work in Select OECD Countries

United Kingdom, reporting just over 6 percent (OECD Stat Extracts, 2015). Clearly, with workers around the world employed in these “nonstandard” forms of employment, we need to know more about the impact of this work arrangement on organizations and workers.

**Why Use Nonstandard Workers?**

Organizations provide three reasons for the use on nonstandard workers. We examine these reasons below and then present the empirical evidence related to each.

**Reducing Cost**

One major reason for using nonstandard workers such as temporary workers, leased workers or remote workers is the cost advantages that these work arrangements provide. Temporary workers are often paid less than standard workers (e.g., Nesheim, Olsen & Kalleberg, 2007), and they do not get the benefits offered to longer-term employees in countries like the U.S. (von Hippel, Magnum, Greenberger, Heneman & Skoglund, 1997) and Japan (Osawa, Kim & Kingston, 2013). Having workers work from home can save on real-estate costs (Ashford et al., 2008).

The research evidence to support the claim that nonstandard workers provide cost advantages is, however, mixed. On one hand, a few case studies have found cost savings from using nonstandard work arrangements. For example, a case study of Paragon Legal, a U.S. firm that provides attorneys to clients for specific projects (Schifrin, Soule & Correll, 2012), showed that this arrangement enables firms to get the appropriate form of legal expertise at a significantly lower cost than if they had their own in-house lawyer. Similarly, a case study of Indian multinational pharmaceutical Dr. Reddy’s Laboratories described how costs in
production plants are managed with the careful use of contract workers for noncore activities (Ramnarayan & Anuradha, 2014). In a study conducted in a Chinese travel agency, Bloom et al. (2013) found that allowing employees to work from home four days a week with the fifth day at the office provided savings of about $2,000 per employee, driven largely by fewer breaks and sick days and longer hours logged on to work. There are few rigorous empirical studies examining the savings from using nonstandard work arrangements, and most of these consider one type of nonstandard work and look at outcomes over a relatively short time horizon.

In contrast, a Deloitte Consulting study (2005) found that a quarter of its sample of 25 large international corporations found cost and efficiency benefits from bringing back in-house work that had previously been outsourced. Other studies found that the use of nonstandard workers is associated with lowered firm performance (Battisti & Vallanti, 2013; Hirsch & Mueller, 2012), thus compromising the cost benefits of nonstandard arrangements. The savings that might be gained from lower wages and benefits are offset by challenges that result in lowered performance. One challenge temporary workers or workers on short-term contracts face is gaining knowledge from or transferring knowledge to co-workers in the organization (e.g., Sias, Kraimer & Jenkins, 1997). Outsourcing work also makes significant coordination demands on members of the organization. The increasing use of temporary workers can result in a deterioration of the workplace, leading to lowered motivation and effort by all workers (Battisti & Vallanti, 2013). Finally, although the presence of temporary agency workers can be associated with higher financial performance for the firm, it can also result in lower job satisfaction and higher job anxiety (Bryson, 2013). These opposing outcomes
could possibly explain the finding that the rise in the use of temporary agency workers had no
effect of value added per employee (Nielen & Schiersch, 2014).

In summary, the jury is still out on whether there are cost savings from the use of
nonstandard workers. Early indications are that there might be fewer cost savings from the use
of temporary and contract workers, whereas there could be cost-related benefits from the use
of teleworkers or at-home workers. Also, although there might be savings in the short term, it
is unclear that these savings continue over a longer time horizon.

**Increasing Flexibility**

A second major reason for using nonstandard workers such as temporary or contract workers is
the flexibility that they enable within the organization. Nonstandard workers are often brought
in on short notice to help organizations deal with seasonal demand (Harrison & Kelley, 1993),
fluctuations in the labor supply (Ko, 2003) or the need for special skills not available in-house
(Kalleberg, Reynolds & Marsden, 2003). This flexibility was what drove Motorola’s Office of
Contingent Workforce Management to create an integrated service model built on a network
of suppliers who could help Motorola access the right level of talent when and where it was
needed in the organization (Beaulieu, 2002).

There is, however, little rigorous research examining whether these benefits actually
remain on a long-term basis. A report by Deloitte Consulting in 2005 indicated that a quarter of
the firms that were studied brought functions back in-house because outsourcing did not
produce the desired flexibility in labor pool management. A more recent study in Germany
found that firms that used nonstandard workers were not able to weather the global economic
slowdowns any better than firms that did not (Zagelmeyer & Heckmann, 2013). One tentative conclusion from this limited evidence is that the flexibility advantage of using nonstandard workers appears to be short term at best. Clearly, we need a more rigorous testing of the hypothesis that nonstandard workers increase the flexibility of the organization.

**Technological Imperative**

Finally, firms use nonstandard work arrangements such as outsourcing work or working remotely because technological changes support these work arrangements (e.g., Levesque, Wilson & Wholey, 2001). Technology allows employees in firms to undertake tasks in different physical locations (Townsend & Bennett, 2003; Kalleberg, 2000) and also simplifies tasks so they can be done by less skilled workers (Smith, 1997; 1998). Firms in the technology industry have allowed employees to work at home not only because of lowered cost and improved employee retention, but also because technology enables the work to be done remotely. In addition, knowledge workers who move between organizations, such as temporary and contract workers, may be a good source of knowledge and learning for the organization because of their expertise and exposure to practices in different organizations (Barley & Kunda, 2004; 2006).

Again, the evidence related to whether technology facilitates nonstandard work arrangements and results in positive outcomes for organizations is mixed. On the one hand, some studies have shown positive outcomes for organizations that permit employees to work from home. For example, a recent study of workers across a variety of industries in the U.S. found that telecommuters reported greater autonomy on their jobs, and this, in turn, improved their job performance as evaluated by their supervisors (Gajendran, Harrison & Delaney-
Klinger, 2015). The Chinese study described earlier (Bloom et al., 2013) also found some benefits for the organizations that allow employees to work from home.

On the other hand, companies like Yahoo and, more recently, HP have gone the opposite way to bring workers back to the same physical location. Their rationale is that people are more innovative when they work with others. The empirical studies on telecommuters have examined individual performance and thus cannot provide much explanatory value on how collaboration and creativity might be affected. These differences in findings suggest the role of technology is not fully understood. More recently, the Huffington Post reported that Yahoo has softened its stance and allowed some individuals to work from home. Clearly, technology enables nonstandard employment arrangements in some jobs at some points in time, but in others, despite technology, nonstandard work arrangements are not viewed by organizations as performance facilitators.

**Management Challenges in Using Nonstandard Workers**

The research on nonstandard work arrangements suggests that there are three major challenges involved in managing these arrangements: (1) understanding social exchange, (2) coordination and integration at work, and (3) management of meaning and identity.

**Social Exchange**

Much of the earlier research on nonstandard workers was built on the idea that nonstandard workers are tenuously connected to organizations and, thus, would be less likely to feel positively toward those organizations. However, the research support for this line of reasoning is mixed at best. Although some studies have found that nonstandard workers are less
attached to the organization than standard workers (Van Dyne & Ang, 1998; Forde & Slater, 2006; Hall & Gordon, 1973), others have found no differences between standard and nonstandard workers (Haden, Caruth, & Oyler, 2011; Pearce, 1993), and still others found that nonstandard workers are more attached to organizations than their standard colleagues (De Cuyper & De Witte, 2007; Eberhardt & Shani, 1984; Galup, Saunders, Nelson & Cerveny, 1997; Katz, 1993; McDonald & Makin, 2000; Parker et al., 2002). How could one explain nonstandard workers being more attached to the organization than their standard colleagues? Do they not see the lesser investment that organizations make in them, relative to their standard colleagues?

One possible explanation for these findings is that of choice. Studies have shown that workers who have chosen a nonstandard work arrangement rather than having it forced on them tend to be more positively inclined toward those organizations that support their choices (Ellingson et al., 1998; Holtom et al., 2002; Tan & Tan, 2002). And many individuals, especially those with more skills, might choose to be in nonstandard jobs because of the flexibility that these work arrangements afford them (Barley & Kunda, 2004). The choice to be in a nonstandard job might also be related to managing family and work roles.

Another possible explanation for why nonstandard workers might be more positively inclined to the organization than standard workers is the types of jobs offered to nonstandard workers. Studies have found that temporary workers who are in jobs that give them greater autonomy are more attached to the organization than individuals in jobs with little autonomy, even though the latter might be in standard positions (Ang & Slaughter, 2001; Hundley, 2001). Van Jaarsveld & Liu (2015) found that temporary call-center workers in China who experienced
high-involvement work practices in the workplace were less likely to change jobs. Similarly, in a study done in the U.S., Liden, Wayne and Kraimer (2003) found that temporary workers were more committed to organizations that provided them support and treated them fairly. These studies, though not numerous, suggest that the mere fact of being nonstandard does not automatically make individuals less engaged with the organization or with their work. Rather, their responses to the organization appear to be shaped by the terms of exchange between themselves and the organization. The challenge for organizations is being able to give workers what they want from this employment arrangement.

**Coordination and Social Integration**

A second broad stream of work arose from the observation that standard and nonstandard workers work alongside each other, often in similar jobs, making salient their different terms of employment (Chattopadhyay & George, 2001). This poses two challenges for managers. The first challenge is one of coordinating the work done by the two groups of workers. Although organizations often offer temporary workers jobs with less complexity, those that demand fewer or lower levels of skills (Davis-Blake & Uzzi, 1993) or those that are linked to seasonal demands of products or services (Houseman, 1997), we do not yet have a good understanding of how work is managed when these individuals have to interact with standard workers. Some studies have indicated that there are more accidents in the workplace (Fabiano, Curro, Reverberi & Pastorino, 2008), and that standard workers’ roles change and their workload increases due to temporary co-workers’ lack of training and familiarity with organizational procedures (Geary, 1992; George, Chattopadhyay & Ng, forthcoming). In these instances, the challenge for the organization is organizing and controlling work to ensure that performance is
not hindered on account of the type of worker undertaking the tasks. An associated competency required of the organization is the ability to match jobs with the individuals. For example, virtual work may not be appropriate for individuals new to a task (Cascio, 2000), and complex, interdependent work may not be appropriate for temporary workers (Sias et al., 1997).

The second challenge involved in workplaces where standard and nonstandard workers co-exist is one of social integration. This integration is also important for getting the work done because task coordination is facilitated by positive interpersonal relationships among individuals. Interpersonal relationships between standard and nonstandard workers are sometimes strained for a variety of reasons. Nonstandard workers may be excluded from organizational networks due to their physical distance from others (e.g., for virtual workers, Wiesenfeld et al., 1999), because they are temporary (Rogers, 2000; Wheeler & Buckley, 2000), or because of organizational practices such as making temporary workers wear distinctive badges (Smith, 1998).

Researchers such as George (2003) and Davis-Blake et al. (2003) argued that the presence of nonstandard workers signaled to standard workers the organization’s decreasing intention of investing in its workforce. In their studies of workers across multiple industries, they found that the greater the proportion of nonstandard workers, the more negative standard workers’ attitudes. Similarly, Pearce (1993) found that greater use of contract workers was associated with lower trust in the management by standard workers.
In contrast, if the management's use of nonstandard arrangements was viewed as benign toward workers, then responses would be more positive. Broschak and Davis-Blake (2006) found that when firms offered part-time positions as a way to retain valued employees, the standard workers reported positive responses toward the management as well as toward these part-time co-workers. More recently, George, Chattopadhyay & Zhang (2012) found that standard workers who believe that nonstandard workers cannot move up the organizational hierarchy (and thus threaten their jobs) perceive their nonstandard colleagues to be helping hands rather than competition and thus respond positively to working with nonstandard workers.

In summary, this body of research suggests that a key issue for the management of nonstandard work arrangements is knowing how to integrate standard and nonstandard workers. Standard workers are sensitive to possible signal of what nonstandard work arrangements might imply for their own job security and career advancement (Von Hippel & Kokokimmon, 2012). They engage in a sense-making process, which results in their being more likely to be positively inclined toward their co-workers and the organization if they feel valued and secure in their jobs. Similarly, nonstandard workers also respond positively when they feel they are not discriminated against by their standard co-workers or by the organization.

Identity

The third challenge for the management of nonstandard work arrangements comes from the notion that organizations need workers who identify with them, but that nonstandard workers,
especially temporary ones, have such transient and distant relationships with organizations they cannot possibly identify with them. Interestingly, research in this area has found that, despite their tenuous links with organizations, nonstandard workers do, indeed, define themselves in terms of the organizations for which they work. A study of temporary workers in multiple industries (Chattopadhyay & George, 2001) found that they identify with their workgroup when there are more standard workers in the workgroup because they see this as a sign of being valued in the organization (and being associated with the high-status group). Later, in a study of contract workers in the information technology industry, George & Chattopadhyay (2005) found that these workers identified both with their principal employer as well as with their client organization. Identification with the client organization increased when contract workers had positive relationships with their co-workers. Identification with their principal employer was determined by the reputation or prestige of that firm. The more prestigious the firm, the more contract workers identified with it. A computer simulation in 2011 also found that temporary workers do, indeed, identify with the organizations in which they work and that this identification is predicted by the amount of interaction they have with co-workers and the amount of information they receive about the organization over time (Ekmekci & Casey, 2011). Although not extensive, this line of research has shown that individuals do not only think of the terms of exchange between themselves and the organization but also consider the implication of organizational membership on how they view themselves. When organizations have features that individuals are comfortable with incorporating into their own identity, individuals are likely to identify with these organizations. The challenge for organizations then is to help individuals see how associating with the
organization has positive implications for how they see themselves. If, for example, the organization has a reputation of being a good corporate citizen, then workers are more likely to identify with the organization than if it was seen as being indifferent to the society in which it operates.

**Figure 3: Potential Costs and Benefits of Using Nonstandard Work Arrangements**

<table>
<thead>
<tr>
<th>Potential benefits</th>
<th>To the Organization</th>
<th>To the Worker</th>
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<tbody>
<tr>
<td></td>
<td>• Lowers wage bill and costs associated with providing work facilities</td>
<td>• Provides choice on how, where and when to work</td>
</tr>
<tr>
<td></td>
<td>• Increases flexibility in deployment of workers</td>
<td>• Minimizes involvement in organizational politics</td>
</tr>
<tr>
<td></td>
<td>• With technology, enables new ways of working across distances and time</td>
<td>• Enables work-life fit</td>
</tr>
<tr>
<td>Potential costs</td>
<td>• Increases requirement for onboarding employees as temporary workers move in and out of work</td>
<td>• Puts onus for skill development and career management solely on the individual</td>
</tr>
<tr>
<td></td>
<td>• Increases coordination and integration costs</td>
<td>• Eliminates opportunities for the development of social and political capital within the organization</td>
</tr>
<tr>
<td></td>
<td>• Signals lack of commitment to the workforce</td>
<td>• Decreases opportunities for identification with the organization</td>
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**Working with Nonstandard Workers**

From the organizational perspective, actions that will help maximize the effectiveness of nonstandard work arrangements include the following:

1. Know what types of nonstandard arrangements are valued by the types of individuals you want associated with your organization. The more these work arrangements are a matter of choice, rather than compulsion, the more the benefits for the organization and for the individual workers.
2. Clarify how nonstandard work arrangements are related to the overall human resource policies of the organization. Human resource policies that are seen to be exploitative and short term create a culture of disengagement for both standard and nonstandard workers.

3. Monitor both task coordination and social integration of standard and nonstandard workers. Monitor short- and long-term, direct and indirect costs of nonstandard arrangements. Nonstandard work arrangements can have unintended consequences. When these arrangements are introduced, firms need to monitor how they affect both the task and the social environment in the organization.

4. Monitor the reputation of the organization to see if the image elicits positive identification.

**Conclusion**

In the coming years, we are likely to see an increase in nonstandard work arrangements, especially as new forms of organizations develop in the sharing economy, characterized by peer-to-peer collaboration in the creation and consumption of goods or services. Managers need to be aware of the impact of these arrangements on all workers, standard and nonstandard. Attention should especially be paid to the psychological effects of nonstandard work to ensure that the costs do not exceed the benefits.
Further Readings on Nonstandard Work


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