The Labour Market Context of HRM

Chapter Objectives

- To define internal and external labour markets
- To outline the role of HRM as the interface between an organisation and its labour markets
- To identify the changing labour market conditions under which contemporary organisations operate
- To critically evaluate the implications for HRM of the ‘knowledge economy’
- To outline how labour market trends are impacting upon how organisations utilise labour and how HRM practices are driving labour market change
- To outline the various ways that firms can respond to different labour market conditions
- To outline the notion of organisational flexibility and how various forms of flexible working practices impact on both employers and employees.

Introduction

The purpose of this chapter is to provide an assessment of the contemporary labour market context of HRM and the impact of current trends in labour supply and demand on the practices associated with HRM. Labour market context inevitably shapes the approach a firm takes to HRM and is one of the key factors in determining an organisation’s ‘degrees of freedom’ in HR strategic formation (Boxall and Purcell, 2003). In particular, the extent to which the
demand for labour, both in absolute numbers and in the availability of particular skills, knowledge and expertise, can be met by the available supply is a key constraint on the range of choices that an organisation has when determining an appropriate HR strategy. Over recent years a range of developments in the economic, political, technological and social spheres have significantly altered the composition of the labour supply and the types of labour required by contemporary firms. Subsequently, an understanding of the labour market context of work organisations is essential to appreciate the challenges faced by HRM in the twenty-first century.

This chapter begins by defining what is meant by internal and external labour markets before discussing in detail a range of developments in organisations, the economy and society which have impacted on the supply and demand for labour. With this in mind, it takes a relatively broad perspective on the notion of labour markets and discusses a range of developments that are taking place inside and outside of organisations that impact both on how organisations engage and utilise labour and how individuals experience work and employment. In particular, this chapter discusses the increasingly flexible ways in which organisations employ workers and the implications of flexible working for employees. The chapter concludes with a discussion of ‘quality of working life’ as an indication of how contemporary developments in work, employment and HRM have impacted upon the experience of individuals in work organisations. As in the previous chapters, the aim is to provide a number of reference points by which we can understand the role of HRM in the contemporary organisation and how it can provide the strategic means to enable firms to cope with uncertainty and add value to business processes. It provides part of the backdrop by which the following chapters on HRM practices and issues can be better understood.

What is a labour market?

A labour market can be understood as the mechanism through which human labour is bought and sold as a commodity and the means by which labour demand (the number and type of available jobs) is matched with labour supply (the number and type of available workers). As such, the labour market constitutes the systematic relationship that exists between workers and work organisations. In order to achieve its strategic objectives, a fundamental concern for an organisation is to ensure that it has the right people with the right skills, knowledge and attributes in the appropriate positions. The previous chapter outlined two competing approaches a firm might adopt to acquiring required labour: ‘make’ or ‘buy’ strategies. The former refers to configuring HRM activities to fulfil a firm’s human resource requirements by developing existing employees and retaining their services over the long-term. The latter
refers to a strategy of recruiting required labour from outside the firm as and when needed. A ‘make’ strategy is, therefore, internally-focused whilst a ‘buy’ strategy is externally-focused.

The internal labour market

The internal labour market refers to that which exists within a single organisation and represents its internal supply or stock of labour. In its broadest sense, the internal labour market is the mechanism by which existing employees are attributed particular roles within a firm. The specific characteristics of an organisation’s internal labour market are reflective of a number of HR policy emphases, for example, the level of investment in employee training and development, the availability of career development opportunities and the extent to which employee retention and job security are prioritised. Contextual factors, particularly the types of skills, knowledge and attributes required, also act to shape the ‘type’ of internal labour market that exists within a firm. Depending on its characteristics, an internal labour market can fulfil a number of functions for an organisation. For example, in seeking to retain employees the internal labour market can act as a source of motivation and contribute to a positive psychological contract, through the provision of training and development, career opportunities and good terms and conditions of employment. The operation of the internal labour market can also be understood as a device for managerial control through a process of stratification, division and the detailed allocation of roles and responsibilities. This reflects the bureaucratic approach to control outlined in Chapter 1.

Whilst all organisations have internal labour markets of some description, the ‘classical model’ of internal labour markets (Grimshaw et al., 2008) is typically associated with a very structured approach to managing the workforce. This includes limiting access to the labour market from outside the firm (often restricted to specific entry points, generally at lower levels) and recruiting to more senior jobs by internal promotion or transfer, often accompanied by in-house training. Such internal structures are notable characteristics of larger organisations which benefit from employee retention and promote the long service of employees both by providing internal opportunities for career advancement and through reducing their ability to move to another firm (for example, through limiting the development of transferable skills in favour of those related to firm-specific technologies and processes).

When understood in this specific sense, then it is apparent that many firms do not operate a ‘strong’ internal labour market, especially in the extent to which they offer employees the opportunity to develop careers. In such organisations, there are limited prospects for career progression, labour turnover is considered unproblematic or unavoidable, little emphasis is placed on learning
and development and the focus is on the external labour market as the principal source of workers, skills and expertise. Alternatively, some organisations will have a strong internal labour market for some employees, for example those that have scarce skills or expertise, but not others.

Whilst such an internal labour market is often a characteristic of 'best practice' models of HRM – as represented by the emphasis on employment security and high levels of investment in training – there is evidence to suggest an erosion of strong internal labour markets as a result of increased global competition and market uncertainty. For example, Grimshaw et al. (2008) reports that in a series of case study organisations recent changes to organisational context associated with economic restructuring have resulted in a dismantling of the traditional labour market as organisations ‘delay’ and ‘downsize’, resulting in a dislocation of workers from traditional career paths and limited access to training and development. The implications of organisational change and attrition of the internal labour market for careers are further examined in Chapter 12. An example of how the restructuring of internal labour markets in response to wider organisational change can impact on employees is provided in Box 4.1.

**Box 4.1**

Research insight: internal restructuring at the BBC

An illustrative example of the impact of organisational restructuring on employees’ experience of work and employment is provided by Nicholls (2006). As part of wider neo-liberal reforms, the UK Conservative government of the 1980s and 1990s sought to curb the power and cost of the BBC by opening it up to competition from the private sector and introducing a range of private sector management practices with the intention of initiating greater financial discipline and accountability.

As part of these reforms, the 1990 Broadcasting Act required that the BBC purchase 25 per cent of all programming to be shown on the network from independent private producers. Subsequently, all plans for new programmes would have to be costed in advance and, if they didn’t undercut the private sector, would either fail to gain support or be transferred to private companies for production.

The effect of these changes on employees was manifold. Nicholls (2006) reports that the changes resulted in the wholesale loss of the tradition of permanent positions, with production staff increasingly working on short-term contracts from weeks to months in duration, always mindful of how to obtain the next package of work. Continuity of employment was now tied to the patronage of senior staff on permanent contracts, and contracts could be terminated at short notice. To ensure their programme success in a competitive bidding process, producers adopted a more guarded approach to sharing ideas and plans with their peers. If they were successful in obtaining backing from the corporation to make their programmes, producers had to work with tight budgetary controls to much shorter deadlines. This was widely felt to have had a negative impact on programme quality and creativity.
The external labour market

In the context of the specific firm, the *external labour market* represents its external supply or available stock of labour. Both the types of labour that the firm requires and the potential pool of workers available are determined by the industry sector in which the organisation operates, its central activities, its location, size and scope and its competitive and HR strategies. In reality, as labour is not a homogenous commodity, the external labour market can be understood as a multitude of individual labour markets. For example, a firm’s external labour market can be local, regional, national or international and many larger organisations will operate in all of these depending on the type of labour sought and its relative scarcity. For example, a multinational corporation seeking to recruit a senior executive will most likely look to recruit internationally in order to provide themselves with the widest possible pool of applicants, given that the skills, knowledge and experience for such a position are likely to be relatively scarce and such workers are often highly mobile. Alternatively, for middle management positions the organisation may focus on the national labour market, and to fill administrative or lower-skilled positions, the local labour market.

There are a wide variety of ways in which labour markets can be segmented aside from geography. Labour markets can be analysed according to the distribution of skills, knowledge, educational achievement and occupational group. We can also view the labour market as being segmented according to worker characteristics such as age, gender, ethnicity, disability, cultural background or attitude.

It is important to understand such labour market diversity, not least because the labour market experiences of different groups of workers and their access to particular jobs are likely to be very different, either because of legitimate sources of labour market ‘power’ accorded by differential human capital, or illegitimate prejudice or entrenched disadvantage. Worker characteristics are also important in assessing the most appropriate way of managing different groups of employees. For example, different occupational groups tend to display different perspectives on motivation, control and career development. Professionals, for example, tend towards career progression outside the confines of a specific organisation, favour autonomous working without close supervision and often adopt a more altruistic orientation to work (Woodall and Winstanley, 1998). Similarly, different generations of workers might display different orientations to work including different attitudes to ‘risk’ and uncertainty, the extent of employer loyalty and the value placed on different elements of work, for example, prioritising work–life balance over high pay (Cox and Parkinson, 2003). Understanding labour market diversity is also important because having a workforce which is representative of the society from which it is drawn and ensuring that labour is recruited from the widest
possible pool of talent can represent a significant source of competitive advantage. The management of diversity and equality is addressed in Chapter 11.

Unemployment

It is important to acknowledge that unemployed labour represents an integral element of the external labour market. People that are out of work but actively seeking employment, particularly those unemployed over a long period, tell us a great deal about the operation of the labour market. The unemployed or surplus labour in any given market plays a role in determining the cost of employed labour, the terms under which it is engaged and the extent of industrial conflict. For example, where there is a large surplus of labour then this will result in greater competition for jobs, a downward pressure on wages and conditions and a lowered likelihood of employees ‘rocking the boat’. Where particular groups are disproportionately affected by unemployment for reasons unconnected to their capabilities (for example, reflecting social group disadvantage) this reflects a distortion of the ‘proper’ working of the labour market.

There are a number of types of unemployment. **Structural unemployment** exists where there is a fundamental mismatch between the supply and demand for labour. For example, where demand for particular types of skill is low, those in possession of these skills are at a relatively greater risk of being out of work. As such, unemployment can result from a lack of employability and can be addressed through workers retraining or moving to areas where their skills are in greater demand. Unemployment can also be **cyclical** in that it reflects business or economic cycles. For example, in times of recession the demand for labour in general falls and unemployment rises. Therefore, being out of work is not necessarily associated with one’s long-term employability, rather it is linked to a short-term decline in overall demand for labour. Finally, **frictional unemployment** reflects a temporary mismatch in the demand and supply of labour which is always present in an economy. For example, a worker might be unemployed whilst looking for a particular type of job but is yet to identify an appropriate existing vacancy. Therefore, even where supply broadly meets the demand for labour, unemployment temporarily persists.

Labour market change

The composition of both labour ‘supply’ (the availability of labour in general and of specific ‘types’ of workers) and ‘demand’ (the amount and type of labour sought by employers) is affected by a wide range of factors. Table 4.1 details a number of factors that impact on the supply and demand for labour.
From Table 4.1, it is clear that the labour market is shaped by a range of processes which can be both planned, such as government policy, or largely uncontrolled and unpredictable, such as shifting social attitudes. It is important to note that some elements appear on both sides of the table stressing the reflexive relationship between the supply and demand for labour. For example, if the government alters the supply of particular ‘types’ of labour to the market through education and training policies, firms will change their demand strategies to accommodate, take advantage of or neutralise the impact of this changed supply. Box 4.2 shows a clear example of this in relation to the recent expansion of higher education in the UK and the ways in which employers have responded to the increased supply of graduates to the labour market.
One of the most influential factors in shaping the contemporary UK labour market is the accelerated process of globalisation evident over the last three decades. The growth of global financial networks, production systems and markets, as well as complex patterns of international migration, has created significant interconnectedness between national and regional labour markets. Subsequently, many of the processes outlined in Table 4.1 need to be understood both as national and international. For example, changes to the availability of specific forms of labour in one part of the world can influence the relative demand for labour in another. This reflects the developing international division of labour whereby certain regions or nations specialise in particular industrial activity. One of the most newsworthy of recent developments in the international division of labour is the widespread offshoring of business activities, mainly customer contact ('call') centres but increasingly back-office functions such as IT, HRM, finance and accounting (referred to as

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**BOX 4.2**

The graduate labour market: changing labour market supply and demand

The UK higher education (HE) system has undergone a major transformation over the past two to three decades from a system that catered for a limited number of entrants in the late 1960s and early 1970s (approximately 6 per cent of school leavers) to one that now aims to provide tertiary education to half the population of 18-year-olds. The shift from an elite to a mass higher education system has been viewed by successive governments as the principal mechanism by which to create an adequate supply of highly qualified workers to fill the expanding number of ‘high-skill’ jobs in the economy (Keep and Mayhew, 2004), encouraged by employers who claim that more graduates are needed for UK organisations to remain competitive.

However, employers have responded to the increased supply of graduate labour in a number of ways, not all of them in line with their calls for a more highly qualified labour supply. Some have created new or modified existing roles to take advantage of the supply of graduates and a number of studies have highlighted the incidence of existing jobs/occupations being ‘upgraded’. There is also evidence to suggest that graduates are able to ‘grow’ ostensibly non-graduate jobs into appropriate work which utilises their skills and knowledge. However, there is a parallel trend for employers to recruit graduates into jobs previously held by non-graduates for which the requirements have not changed, which under-utilise the abilities of the role-holder and which provide no route into graduate-appropriate roles.

Questions

1. What are the implications for both employers and graduates of the expansion of higher education over the last two decades?
2. Why do you think employers continue to complain about the work-readiness of graduates and a shortage of particular skills?
business processing outsourcing or BPO), from Western nations to lower-cost countries such as India, South Africa and the Philippines (see Box 4.3).

Increasingly, firms employ a globally-distributed workforce or, at the very least, rely on overseas labour at some point in its supply chain. On the one hand, access to a global labour market presents the opportunity for cost savings and provides access to a more diverse labour supply and the ability to situate production close to large or emerging markets. On the other hand, firms are presented with a set of challenges associated with managing a global workforce. Burke and Ng (2006, citing Roberts et al., 1998) identify three major challenges: deployment (getting the right skills to the right place at the right time); the dissemination of knowledge, innovation and effective practice across a geographically-distributed workforce; and the identification and development of talent. The challenges for firms operating across national borders are further discussed in Chapter 5.

**BOX 4.3**

**Offshoring and the global labour market**

As noted above, advances in ICT have prompted companies to seek to exploit the potential cost savings associated with offshoring. Initially, offshoring was associated with the movement of manufacturing and production operations overseas to exploit lower labour costs. However, as more skilled labour has become more available in, for example the BRIC countries (Brazil, India, Russia and China), there is a growing trend towards the offshoring of white collar and knowledge work. As Paton (2007) notes:

> thanks to instant, global communications and an ever more highly qualified pool of graduates [in developing countries] to call on, you are now just as likely to find sophisticated ‘knowledge economy’ jobs – investment banking, web, software and architectural design, legal services, drug development, tele-radiology and film editing to name but a few – being shunted overseas. (Paton, 2007)

India, in particular, has benefited considerably from the offshoring activities of Western companies, partly because it has a large English-speaking workforce with rising skills levels that is able to provide a range of back-office functions. In 2007, the value of outsourcing to India was estimated at £24bn, 10 times what it was worth in 1998. IT and business process outsourcing services have contributed considerable growth and new wealth in India and now account for 5.4 per cent of India’s gross domestic product (GDP) (Kobayashi-Hillary, 2007). However, India is now facing a considerable challenge from countries such as South Africa and Mexico, seeking to imitate its success.

The impact of offshoring on the UK economy and labour market is contested, but it is clear that such activity does alter the dynamic between labour supply and demand both nationally and internationally. For example, one reported consequence of an increasing tendency towards the offshoring of certain IT functions by UK firms to India is the stagnation of wages for low-skilled jobs in the UK IT sector (BBC, 2008).
Changing demography of the labour market

Labour markets are in a continuous state of change not least because of long-term demographic trends shaping the composition of the labour supply. Many Western nations and other advanced economies such as Japan have ageing populations as a result of falling birth rates and lengthening life expectancy. The labour market is, therefore, increasingly composed of older workers, many working beyond retirement out of choice or compulsion, as the supply of new labour market entrants continues to diminish. In the UK, for example, the population aged over 65 grew by 31 per cent from mid-1971 to mid-2006, whilst the population aged under 16 declined by 19 per cent over the same period (Office for National Statistics [ONS], 2008). This pattern is forecast to extend well into the future with the old-age dependency ratio – the number of people aged 65 and over as a proportion of the number of people aged 16–24 – predicted to rise from 23:8 in 2005 to 29:7 in 2020 (Madouros, 2006).

A further influence on labour market composition is the long-term trend of increasing female participation in the workforce. In the UK at the beginning of the twentieth century, around five million women worked, making up 29 per cent of the total workforce. By 2000 the figure had risen to 13 million, representing 46 per cent of the total workforce and around 53 per cent of the female population aged 16 and over (Lindsey, 2003). Notably, however, almost half of women’s jobs were part-time compared with around one in six of men’s. This rise in female labour market participation has led to a growth in the proportion of dual-career couples and working single parents in the labour force. For example, the proportion of couples with dependent children where both partners worked increased by eight percentage points to 68 per cent over the 10-year period to spring 2004 and the lone parent employment rate increased by 12 percentage points over the same period to 54 per cent (ONS, 2005).

The UK labour market is also more ethnically diverse than ever before, partly reflective of patterns in the international migration of labour. For example, the impact of European Union expansion has increased the supply of migrant labour into many nations bringing with them diverse experiences and expectations of employment and a wide range of skills, knowledge and capabilities. In 2006, an estimated 591,000 migrants arrived to live in the UK for at least a year. In the same period, however, an estimated 400,000 people emigrated from the UK for a year or more, up from 359,000 in 2005. Net migration, the difference between immigration and emigration, was 191,000 in 2006, the equivalent to adding more than 500 people a day to the UK population (ONS, 2005).
Economic change and the labour market

Recent developments in the broader economic context of employment are also altering both the demand for and supply of labour. In particular, advanced capitalist economies are argued to have entered an era of post-industrialism (Bell, 1973) associated with the development of a knowledge-intensive economy. Watson (2008: 65) defines the Post-industrial society as ‘a type of economically advanced social order in which the centrally important resource is knowledge, service work has largely replaced manufacturing employment and knowledge-based occupations play a privileged role’. In other words, ‘knowledge’ has displaced the traditional factors of production such as land and capital (i.e. a firm’s physical assets) as the primary source of competitive advantage for firms and nations, and, consequently, investment in human capital is viewed as the foundation for success in a global economy (Thompson, 2004).

The concept of the knowledge economy stresses a break from the past, a transition from the Fordist era with its emphasis on rationality, standardisation and predictability of both labour and markets to Post-Fordism which stresses economic complexity and uncertainty. The acceleration of a number of long-term processes, principally the rapid development and adoption of ICT and globalisation, has not only altered the context in which organisations operate but also, it is argued, the types of skills, knowledge and qualifications required by workers, stressing the need to produce a workforce that is well educated, highly skilled, innovative and responsive to change to fill the growing number of ‘knowledge worker’ roles in the economy (Organisation for Economic Co-operation and Development, 2006). The notion of knowledge work and workers is further discussed in Chapter 15.

One perceived indicator of a shift towards a knowledge-intensive economy is the relative decline of manufacturing and the growth of the service sector in many Western nations. In the UK, between 1978 and 2006 the total number of service sector jobs rose from 16.5 million to 25.3 million and manufacturing jobs fell by more than half from 7.1 million to 3.3 million. The largest increases in jobs were in banking, finance and insurance (rising by 129 per cent to 6.4 million jobs) and distribution, hotels and restaurants (rising by one-third to 7.1 million jobs). Reflecting this broad shift towards service sector employment, the contemporary workforce is increasingly comprised of professional or knowledge-based occupations such as lawyers, accountants, managers, marketing and advertising executives, scientists, engineers, doctors, ICT specialists and all the employees who support these occupations (Albert and Bradley, 1997). Further evidence for a broad upskilling of the UK workforce is found in the demand for specific types and level of skill (Box 4.4).
For some commentators, these recent occupational changes and data on changing skills levels offer irrefutable evidence of a shift towards a knowledge-intensive economy where increasing proportions of workers are involved in knowledge work and benefit from the enhanced pay and working conditions attached to such jobs. Others, however, contest this perspective of radical ‘upskilling’, arguing that the growth in the demand for knowledge workers and ‘thinking skills’ has been overstated (Brown and Hesketh, 2004) and they will continue to comprise a clear minority of workers (Grugulis et al., 2004). Sceptics argue that detailed analysis of job content and skill requirements indicate a far more diverse picture where a significant proportion of jobs created are low skill, highly routinised and low wage jobs. Wolf (2002) reports, for example, that the single fastest growing job in the 1980s was ‘postman’ and in the 1990s was ‘care assistant’. As Warhurst and Thompson (1998) put it, there is insufficient sensitivity to the heterogeneity of employment in the service sector between ‘Mcjobs’ (low-skilled, poorly paid, menial jobs) and ‘iMacjobs’ (well-rewarded, ‘knowledge-intensive’ jobs). They explain the rise in employer requirements for qualifications as representing ‘credentialism’ – the unnecessary reliance on qualifications to allocate jobs – rather than as evidence of widespread upskilling (Keep and Mayhew, 1997).

Empirical research appears to suggest that there is increasing skills polarisation within the labour market, where some workers will enjoy the benefits associated with knowledge work and others will be confined to routinised service and production work, reflecting an ‘hourglass’ economy. It is perhaps
pertinent therefore that in 2006 almost equal numbers of jobs (29 per cent) required level 4 or above qualifications for entry as those (28 per cent) that required no qualifications on entry (Felstead et al., 2007).


**Emotional labour**

Grugulis et al. (2004) argue that it is not ‘thinking’ or technical skills which are of increasing importance in the contemporary labour markets but ‘person to person’ skills. This connects to the growing importance of emotional labour as a result of the shift to greater service sector employment. The notion of emotional intelligence (EI) has also gained greater currency in recent years. EI is defined as the individuals’ ability to develop and express a range of skills such as awareness of the emotions of others, self-awareness, empathy and influence (Goleman, 1995). In managerial roles, the increased importance placed on interpersonal skills can be associated with the perceptible shift in emphasis from bureaucratic to charismatic leadership, where authority is based on force of personality rather than status and ‘office’ (Brown and Scase, 1994).

The organisational emphasis on interpersonal skills and promotion of emotional labour is exemplified in the announcement in June 2008 that nurses in the UK are to be rated on how compassionate they are towards patients as part of a government plan to improve quality in the National Health Service (NHS). A ‘compassion index’ is set be compiled using surveys of patients’ opinions, including feedback about the attitude of staff, to assess the performance of every nursing team across England.

**The restructuring of internal labour markets**

Associated with wider changes in the demand for and supply of labour resulting from changing economic structures and technological developments, the way that labour is utilised within firms is also changing, with considerable implications for how work is experienced. A central theme of this chapter is the reflexive relationship between external and internal labour markets. As such, key changes in the organisation of work are at least partly a result of the changing composition of the labour supply and the wider economic, political, legislative, technological and social processes outlined above.
The flexibility of organisational structure

One implication of the changing organisational context is that as markets become more unpredictable and dynamic then firms must respond likewise and increase the flexibility both of organisational form and their workforce. It has become received wisdom that rigid bureaucratic forms of organisation, characterised by vertical hierarchies of authority, centralisation of control and task specialisation, are not adaptable or responsive enough to cope with the demands of twenty-first-century capitalism. Consequently, such structures are being replaced with ‘post-bureaucratic forms that are leaner, flatter and consequently more responsive, flexible and focused’ (Morris, 2004: 264). New, more appropriate organisational forms are described as ‘networked’ (Castells, 2000), ‘boundaryless’ (Grimshaw et al., 2002a), ‘organic, entrepreneurial [and] tight-loose’ (Jacques, 1990: 127). Organisations are also argued to be using autonomous work groups or flexible project teams, associated with the ‘unstructured’ approaches to management associated with the effective deployment of knowledge workers (Davenport et al., 1996), to replace tight managerial control and strict demarcation between work tasks. The abandonment of traditional organisational form and pursuit of flexibility has been enacted through downsizing, rightsizing, delayering, restructuring and business process re-engineering, involving the centralisation of core competencies and the outsourcing of non-core activities to specialist firms (Blair and Kochan, 2000).

Inevitably, changes in organisational structure have profound implications for workers in terms of job content, employee motivation, job security and organisational commitment, especially given the evidence that employers have often used the ‘flexibility’ rationale for reorganisation to justify redundancies (Child and McGrath, 2001). Grimshaw et al. (2002a) note that, theoretically at least, in flatter, non-hierarchical, networked organisations, workers have greater autonomy, often work together in teams and are able to adapt more quickly to change.

However, one apparent contradiction in this process of restructuring is that delayering (for example, the removal of a hierarchical level of management) tends to undermine the linkage between training and career advancement – key elements in the establishment of a strong internal labour market and in developing employee commitment. In particular, lower-level workers in ‘flatter’ organisations have experienced a widening of the gap up to the next broad band of mid-management positions and a withdrawal of the training and development opportunities necessary to bridge this gap. Subsequently, the hourglass feature of a skills-polarised external labour market can also be found within internal labour markets, reflecting the same set of ‘winner takes all’ characteristics where those with access to the ‘top’ of organisations benefit from preferential terms and conditions of employment compared to those below
with no clear path to such positions. As a result of this ongoing rationalisation of organisational structures and associated job insecurity, it is argued that workers in the knowledge economy must develop new ‘career’ strategies. This is further discussed in Chapter 12.


The flexibility of labour

One key determinant of an organisation’s ability to respond effectively to a changing and uncertain business environment is the flexibility and adaptability of its workforce. The notion of Post-Fordism is associated with flexible, adaptable business processes that are able to respond rapidly to changing circumstances, such as variation in consumer demand, which require both individual and collective employee flexibility. Flexibility of labour is reflected in an employer’s ability to: recruit or dispose of labour as required; alter labour costs in line with market needs; allocate labour efficiently within the firm; and, fix working hours to suit business requirements (Reilly, 1998). Subsequently, employment flexibility can take many forms, as Box 4.5 illustrates.

**BOX 4.5 Approaches to labour flexibility**

**Functional flexibility**
This is the ability of employees to undertake a range of tasks, either horizontally (employees are multi-skilled to perform a range of tasks at the same organisational level) or vertically (employees have increased managerial or supervisory responsibility). A distinction is made between multi-skilling (providing employees with a range of transferable skills, associated with vertical functional flexibility, empowerment and enhanced terms and conditions) and multi-tasking (expanding the range of tasks and responsibilities of an individual horizontally, associated with work intensification and no commensurate improvement in reward).

**Financial (or wage) flexibility**
Employee reward is linked to individual, team, department, divisional or organisational performance, through such techniques as individual or team performance-related pay, commission, bonuses and profit sharing. Wage flexibility seeks to promote individual association with the goals and objectives of the organisation, link individual performance with that of the firm and ensure that wage costs closely match individual and business performance.

(Cont’d)
To a certain degree, the ultimate objective of flexible approaches to the utilisation of labour is to minimise labour costs, or, in the words of Fleetwood (2007):

To have just the right number of suitable skilled and motivated workers to match the needs of the productive system at any point in time and to hire them at wages that reflect their differing productivity and when the productive system does not demand all of them, it does not want them on the premises and does not want to pay for them. (2007: 13)

However, employers claim to introduce flexible working practices for a wide range of reasons (Box 4.6), relating to both improving organisational performance and meeting the needs of workers.

**BOX 4.6**

**Employer reasons for introducing flexible working practices**

- To improve staff retention
- To enhance reputation as an ‘employer of choice’
- In response to requests from staff
- In response to government legislation
The previous chapter made the distinction between cost-minimisation and quality enhancement HR strategies; the former with the emphasis on the reduction of labour costs, the latter with an emphasis on developing and maintaining a positive psychological contract as a source of competitive advantage. Under these two broad approaches, the imperative for organisational flexibility can be viewed in different ways. Under the former strategy, the emphasis would likely be on numerical and temporal flexibility, with little concern for the impact on employees themselves (for example, the use of ‘hire and fire’ policies), and job enlargement by multi-tasking employees. This approach has been referred to as ‘flexploitation’ (Gray, 2004: 3) and is associated with a reactionary, opportunistic approach to the management of labour. Alternatively, a quality enhancement approach would place greater emphasis on job redesign and multi-skilling (job enrichment) to increase both employer and employee skills flexibility, employee-friendly approaches to temporal flexibility (for example, flexible start and finish times) and spatial and numerical flexibility which emphasises notions of employee well-being and work–life balance. Indeed, a central tenet of many ‘best practice’ models of HRM (for example, High Performance Work Systems) is skills flexibility which can contribute to mutual gains for employees (improved job satisfaction through work variety and challenge) and employer (improved individual and organisational performance).

However, firms cannot necessarily be so clearly categorised as adopting either a 'hard' or 'soft' approach to employee flexibility given that different forms of flexibility might be appropriate for different workforce segments. Atkinson (1984) provides a useful theoretical model – the flexible firm – which shows the different approaches to flexibility an organisation might adopt depending on the types of labour employed (Figure 4.1).

In Atkinson’s model, different forms of flexibility are utilised within the same firm depending on both the utility and value of the employee to the firm and the nature of the employment relationship in each instance.

The core group is comprised of highly skilled, valued workers whose capabilities might be firm-specific, scarce in the external labour market and are central to the core activities of the firm. Under the resource-based view of the firm, they constitute a unique resource and, therefore, the emphasis is on a strong internal labour market to ensure their retention. Flexibility among this core group lies in their continuous development and deployment of a range of skills and capabilities.

Figure 4.1 The flexible firm (adapted from Atkinson, 1984: 29)
The first **peripheral** group is comprised of employees who possess skills needed by the firm but that are not firm-specific (for example, general ICT skills). The firm offers limited scope for movement to the core and few career prospects, preferring to accept a reliance on the external labour market to fill these posts and tolerating a degree of labour turnover. They provide both functional and numerical flexibility.

The second peripheral group might consist of workers employed under ‘non-standard’ contractual arrangements and who provide both temporal and numerical flexibility. The final group of employees contains all those workers not directly employed by the firm, such as sub-contractors with skills and knowledge that are only temporarily required by the organisation. Grimshaw et al. (2008) suggest that it is becoming increasingly difficult for labour market participants to predict with certainty their position within a segmented labour market of ‘core’ and ‘periphery’ workers because the boundaries between different groups of employees are being continuously redrawn.

Despite the ubiquity and resilience of the ‘flexible firm’ as a theoretical model of how organisations have responded to the increased need for flexibility, it has been subject to significant criticism. For example, Pollert (1988) suggests that the model fails to explain what is new about flexible management ‘strategies’ given that they reflect pre-existing **labour market segmentation** and disadvantage according to gender and race (those groups most likely to be subjected to the poor terms and conditions of employment of the periphery groups). Despite this criticism, Proctor and Ackroyd (1998) cite a number of studies which support the continued growth of both functional and numerical flexibility and suggest that Atkinson’s model remains helpful in drawing attention to the importance of labour in securing flexibility.


**The controversies of flexibility**

The flexible firm model demonstrates how attempts to create a more adaptive and flexible workforce can have profound implications for the job content, job security and loyalty of different groups of workers. As Conley (2006: 52) suggests, ‘flexibility is an amorphous term used to describe many qualitatively different forms of work, and it is sometimes ... employed as a term holding both positive and negative connotations’. Fleetwood (2007) argues that in the context of the employment relationship flexibility is *for* the employer and *of* the employee, and, subsequently, whilst there are undeniable benefits for labour from certain forms of flexibility – where there are mutual gains to be had from both parties – flexibility cannot be seen as unequivocally good from an employee perspective.
This is despite the notion of flexibility often being subsumed under the rhetoric of 'employee well-being' and 'family-friendly policies'. Fleetwood suggests that, in broad terms, flexible working practices can be described as being either 'employer friendly' or 'employee friendly' (Box 4.7). Typically, those practices that are employer friendly have the explicit aim of minimising labour costs reflecting minimal commitment to employees and/or an ability to alter the supply of labour at short notice and subject employees to high levels of insecurity. Practices that are employee friendly are those that are, in reality, 'family friendly' or improve 'work–life balance' by allowing a degree of worker discretion in working patterns. Some practices can be considered 'neutral' in particular circumstances in that they are beneficial for both parties.

**BOX 4.7**

**Categories of flexible working practices**

<table>
<thead>
<tr>
<th>Employer friendly or employee unfriendly – sought by employers</th>
<th>Employee friendly or employer unfriendly – sought by workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporary working</td>
<td>Flexible start and finish times</td>
</tr>
<tr>
<td>(Involuntary) part-time working</td>
<td>Term-time working</td>
</tr>
<tr>
<td>Zero hours contracts</td>
<td>(Voluntary) part-time</td>
</tr>
<tr>
<td>Overtime</td>
<td>Job-share</td>
</tr>
<tr>
<td>Shift working</td>
<td>Compressed working weeks</td>
</tr>
<tr>
<td>Annualised hours</td>
<td>Shift swapping</td>
</tr>
<tr>
<td>Stand-by and call-out arrangements</td>
<td>Self-rostering</td>
</tr>
<tr>
<td>Seasonal work</td>
<td>Time off in lieu</td>
</tr>
<tr>
<td>Job-and-finish</td>
<td>Sabbaticals</td>
</tr>
<tr>
<td></td>
<td>Career breaks</td>
</tr>
</tbody>
</table>

Source: Fleetwood, 2007

In respect of employee commitment, flexible working practices present something of a dilemma for employers. Whilst much research identifies employee loyalty as a key source of individual motivation and enhanced performance, employers can be reluctant to demonstrate sufficient degrees of loyalty to those who work for them, even amongst their ‘core’ employees and those who fulfil important functions in the organisation (for example, ‘frontline’ staff in the hospitality industry). Moreover, the perpetual insecurity associated with much employment flexibility has significant implications for stress and the alienation of workers, potentially leading to the loss of valuable employees. McGovern et al. (2004) found evidence to suggest that non-standard employment (part-time, temporary and fixed-term) disproportionately increased workers’ exposure to ‘bad job’ characteristics (low pay, no sick pay provision, no employer pension scheme and no access to a recognized promotion ladder). Kalleberg et al. (2000) found a
similar pattern in the US, reporting that one in seven non-standard jobs were ‘bad’ on the dimensions of low pay and no access to health insurance or pension benefits.

Whilst many of the problems of flexibility tend to be associated with numerical and temporal forms, the impact of functional or skills flexibility on workers is also a contentious issue. Many best practice models of HRM such as the High Performance Work System (outlined in Chapter 3) have multi-skilling as a central component with the dual objectives of both improving organisational performance and enriching jobs. However, a number of studies (for example, Danford et al., 2005) found that in practice, multi-skilling often means multi-tasking and, therefore, rather than providing employees with job enrichment, functional flexibility is often a form of work intensification contributing to work overload and stress.


Of course, some flexible working arrangements benefit particular groups of workers. For example, where flexible arrangements are structured and predictable – such as fixed part-time hours – employees can arrange patterns of work that are compatible with other responsibilities, such as childcare and study. However, Purcell et al. (1999) suggest that some groups are more likely to benefit than others from flexible working arrangements. Managerial, professional and clerical workers, particularly those with scarce expertise or skills, mainly experience a net benefit. For manual and lower skilled workers, however, flexibility often means insecurity and unpredictability, particularly where working patterns fluctuate according to consumer or employer demand, and can present a barrier to career progression (Tomlinson, 2004). In particular, the negative impact of flexible working is most pronounced where it reinforces patterns of social exclusion, for example, amongst migrant workers, women and minority ethnic groups, by undermining opportunities for stable, long-term employment and career progression.

BOX 4.8 Ethics and employment flexibility

There is clearly an ethical contention at the heart of the debate over flexible working practices. At the centre of the concerns about flexible working is the perception that by accepting the perpetual insecurity associated with much flexible working as ‘the way things are’, work organisations are relieved of their moral responsibility to their workforce. Warren (1996: 42) suggests that the ‘death of the company as a long-term employment organisation’ is a proposal that is pervasive in managerial discourse in both the UK and USA but
Labour market flexibility and government policy

The organisational dilemma of creating a flexible workforce whilst still attempting to elicit discretionary effort amongst its employees through the establishment of a positive psychological contract is a micro-version of a wider policy problem. Neo-liberal economic policy argues that economic responsiveness via the flexibility and adaptability of its institutions, including the labour market, is key to prosperity in a turbulent global economy. This puts significant pressure on national governments to minimise the regulation of business practices, including employment protection legislation, to ensure that businesses are best able to respond to changes in market conditions. However, governments also have a responsibility to protect the interests of workers and, therefore, are forced to strike a balance between economic responsiveness and employee protection. This is clearly illustrated in the long-running battle over rights for agency and temporary workers, a key component of a flexible labour market because of the ability of firms to hire and fire such workers and offer them poorer terms and conditions of employment.

Wintour (2008) reports that May 2008 saw the end of a six-year battle to give 1.4 million temporary and agency workers equal rights (for example, concerning statutory sick pay, pension contributions and holiday entitlement) with Britain’s full-time permanent workforce, following a compromise between the Confederation of British Industry (CBI) and the Trade Union Congress (TUC). The trade union lobby argued that the use of cheaper agency and casual workers has undermined the pay and conditions of the full-time

Questions

1. To what extent do you think businesses should be responsible for the employment security of its workforce?
2. Do you think that a business case argument – that job insecurity is damaging both to employee morale and, ultimately, individual performance – is sufficient to encourage businesses to prioritise stability of employment?

not, for example, in Japan where organisations are viewed as communities and in Continental Europe when companies are more often run like families. Warren argues that accepting pervasive job insecurity as the norm for the majority of the workforce will result both in increasing social exclusion and lowered morale of those working for the firm, contributing to a decline in citizenship behaviour which can be valuable to organisations. He argues, therefore, that whilst care should be taken not to overburden business with too many responsibilities, companies should be viewed as contributors to the moral order of society; collective citizens whose sole objective is not just to make money but also to be of wider social benefit.
workforce whilst the CBI were staunch advocates of the need for continued labour market flexibility. Whilst the government claimed the deal represented the right balance between fairness and flexibility, the chairman of the British Chambers of Commerce condemned the agreement saying that:

this is a bad deal for the country and a bad deal for business. The success of the UK economy over recent years has been down to our flexible labour market. When the economy is weakening, this is not the time to further reduce flexibility. (Wintour, 2008)

Quality of work life

Many of the employment practices discussed later in this book tend to reflect a ‘best practice’ approach to HRM which claims to produce mutual gains for both the employee and employer: improving both individual and organisational performance and the quality of working life. However, there is considerable debate about the extent to which recent changes in labour market context, and managerial responses to these changes, have had a positive or negative impact on workers. Quality of Working Life (QWL) is a rather ambiguous concept with a variety of definitions. In particular we can distinguish between conceptualisations that suggest an objective notion – that ‘good quality’ work is something external to the individual and is made up of specific and identifiable characteristics – and those that stress its subjectivity – that all individuals have different sets of needs and expectations of work and, therefore, QWL must be defined as such. Nonetheless, there are a number of job characteristics that can be viewed as ‘desirable’ whilst still reflecting the essential multi-dimensional nature of QWL. Che Rose et al. (2006: 1) suggest that:

QWL is a comprehensive construct that includes an individual’s job related well-being and the extent to which work experiences are rewarding, fulfilling and devoid of stress and other negative personal consequences … [The] elements that are relevant to an individual’s quality of work life include the task, the physical work environment, social environment within the organisation, administrative system and relationship between life on and off the job.

Table 4.2 outlines a range of elements of QWL both in relation to the job itself and those relating to the wider organisational and labour market context.

Given the complexity of the concept, assessing the impact of recent labour market change on QWL is problematic. Evidence on one indicator might suggest an improvement in job quality, whereas another might indicate a general deterioration. For example, a key indicator of job quality for many workers is the extent of work–life balance, a key determinant of which is working hours. Despite, the UK typically being associated with a
long working hours' culture, in recent years this has begun to decline and in 2006 men and women in full-time employment worked an average of 38.9 hours compared to 40 hours in 1992 (it must be noted, however, that in the

<table>
<thead>
<tr>
<th>QWL Factors</th>
<th>'Measures' of quality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remuneration including pay, perks and benefits</td>
<td>• General (societal) comparability reflecting notions of a 'well-paid' or 'lowly-paid' job</td>
</tr>
<tr>
<td></td>
<td>• Context-specific comparability (colleagues; organisation; sector)</td>
</tr>
<tr>
<td></td>
<td>• 'Felt fairness' – Reward commensurate with level of effort exerted</td>
</tr>
<tr>
<td>Opportunities for learning and development</td>
<td>• Opportunities to develop new skills</td>
</tr>
<tr>
<td></td>
<td>• Opportunities for career progression and advancement</td>
</tr>
<tr>
<td>Job security</td>
<td>• Contractual arrangements (for example, permanent or temporary employment)</td>
</tr>
<tr>
<td></td>
<td>• Level of threat of redundancy</td>
</tr>
<tr>
<td></td>
<td>• (Perceived) impact of restructuring</td>
</tr>
<tr>
<td></td>
<td>• Access to jobs in internal and external labour market</td>
</tr>
<tr>
<td>Job content and the utilisation of skill</td>
<td>• Pace and intensity of work</td>
</tr>
<tr>
<td></td>
<td>• Appropriate level of 'challenge'</td>
</tr>
<tr>
<td></td>
<td>• Variety</td>
</tr>
<tr>
<td></td>
<td>• Working hours</td>
</tr>
<tr>
<td></td>
<td>• Match or 'fit' between worker and job characteristics (e.g. skills possessed and skills utilised)</td>
</tr>
<tr>
<td>Working conditions/physical environment</td>
<td>• Impact of work on physical and mental well-being</td>
</tr>
<tr>
<td>Work–life balance</td>
<td>• Delineation between work and home life</td>
</tr>
<tr>
<td></td>
<td>• Job allows enough time for pursuit of other interests and to fulfil other commitments</td>
</tr>
<tr>
<td></td>
<td>• Acceptability of stress levels</td>
</tr>
<tr>
<td>Employee 'voice'</td>
<td>• Extent of involvement and influence in organisational decision-making</td>
</tr>
<tr>
<td>Control</td>
<td>• Degree of autonomy in work organisation</td>
</tr>
<tr>
<td></td>
<td>• Extent of task discretion</td>
</tr>
<tr>
<td></td>
<td>• Level of surveillance/managerial control</td>
</tr>
<tr>
<td>Fair treatment</td>
<td>• Equal treatment in organisational and wider labour market context</td>
</tr>
<tr>
<td>Management</td>
<td>• Managerial style</td>
</tr>
<tr>
<td></td>
<td>• Leadership</td>
</tr>
<tr>
<td>Workplace relations</td>
<td>• Relationship with management and colleagues</td>
</tr>
</tbody>
</table>

**Table 4.2** Factors which impact on Quality of Working Life
late 1970s, the average was around 35 hours). Whilst this suggests that overall work–life balance in the UK has improved, albeit only on one measure, international comparisons indicate that UK workers still work long hours by EU standards. The UK does, however, have less long-hours workers than other developed countries such as Australia, Japan and the United States (CIPD, 2007b).

Evidence relating to a number of other trends associated with QWL points towards a deterioration of quality of working life in the UK over recent years. In respect of job security, for example, Gregg and Wadsworth (2002) report that for men and women without dependent children, who make up nearly three-quarters of the UK workforce, job tenure had fallen, particularly for older workers. A range of studies also show the intensification of work. Green (2006), for example, reported a rise in average work effort throughout the 1990s in the UK, based upon the required speed of work and the necessity to work to tight deadlines, leading to a decline in job satisfaction (Green and Tsitsianis, 2005). Correspondingly, workplace stress is a growing problem for both employers and employees and a powerful indicator of poor job quality. Approximately 33 million working days were lost in the UK in 2002 due to stress-related illness compared to 18 million in 1995 (Bunting, 2003). This is not, however, simply a UK problem. A Europe-wide survey (Kelly Services, 2005) shows that whilst 20 per cent of British workers face high levels of workplace stress, this was lower than the average of 27 per cent across all of Europe. The issues of stress and employee well-being are discussed in more detail in Chapter 14.

Employee empowerment is considered to be both a key component of high-commitment models of HRM and a centrally important element in employee job preference. It is surprising, therefore, that the proportion of workers reporting a great deal of influence over how to do tasks at work fell from 57 per cent in 1992 to 43 per cent in 2006 (Felstead et al., 2006). Felstead et al. (2006) also reported a growing imbalance between the skills and qualifications of the labour supply and the demand for those qualifications. In 2006, two-fifths of workers held qualifications at a higher level than was required for entry to the jobs they were doing, up from the figure of 35 per cent recorded in 2001. This widespread under-employment represents a significant source of job dissatisfaction (Rose, 2003).

Whilst this is only a brief discussion of the evidence on a limited number of indicators of QWL, the suggestion of declining job quality is supported by the broader evidence on job satisfaction. Clark (2005) found in a study of job quality in OECD countries that over the course of the 1990s, overall measures of job outcomes were either static or falling despite favourable movements in hours of work, wages and job security. In particular, Clark found that satisfaction with the work itself (including level of autonomy and what workers
actually do in their jobs) had declined sharply. Again, this is not purely a UK problem. Kelly Services (2005) found that just 47 per cent of workers surveyed in the UK were either happy or very happy with their current position compared with 68 per cent of Scandinavian workers, 61 per cent in France, 53 per cent in both Italy and Switzerland, 50 per cent in both Russia and Germany, 46 per cent in Spain, 45 per cent in The Netherlands and 35 per cent in Belgium. The survey found that employees were particularly unhappy with the level of salary, health benefits, and training opportunities.

On the evidence presented here, the current state of quality of working life would appear to make rather cheerless reading for HRM professionals and would seem to reflect a gap between the rhetoric of high-commitment HRM and the reality of worker experience. Of course, HRM practices are only one, albeit significant factor in determining job satisfaction and creating high-quality jobs. Other factors include the level of state intervention in employment regulation, the extent of trade union influence, technical and organisational change and increasing global competition. Nonetheless, it is clear that there is an imperative for HRM to address both the needs of the firm and the quality of employment in order to improve QWL.

Summary Points

• The labour market context of contemporary work organisations is highly fluid and unpredictable, shaped by a wide range of economic, social, technological, legal and political factors.
• Changes to the supply of labour, for example, changing demography, education and social attitudes, influence the approach an organisation takes to HRM, particularly employee resourcing and the design of jobs.
• Developments associated with the knowledge economy, such as the intensifying global economy and the rapid development and diffusion of ICT, and its consequences, such as the rapid expansion of higher education, provide the backdrop against which to better understand the range of current challenges and opportunities for HRM.
• Amid the rhetoric claiming the advent of a high-skill economy, much evidence continues to suggest that significant current employment and future job creation is in low-skill areas of the service sector.
• An increasingly competitive and unpredictable global economy are argued to necessitate greater flexibility of both organisational form and labour
• A number of alternative forms of flexibility are at the disposal of organisations – functional, numerical, temporal, financial and spatial – which have differing implications for managers and employees.
• Changes to the labour market and organisational context of employment have significant repercussions for Quality of Working Life (QWL)
• Evidence suggests that Quality of Working Life is in decline, for example, in respect of work intensification, declining job security, increasing stress, low levels of discretion and autonomy and growing under-employment.

Useful Reading

Journal articles


Grugulis, I. (2003) Putting skills to work: Learning and employment at the start of the century, *Human Resource Management Journal*, 13(2): 3–12. This article introduces a special issue of HRMJ which examines how working practices, control systems and regulation can have an impact on skills. The paper considers the inter-relationship between the individual expertise, job design and discretion that constitute skill.

Books, book chapters and reports


Further online reading

The following articles can be accessed for free on the book's companion website www.sagepub.co.uk/wilton:

This paper reports on research undertaken in a sample of Spanish firms which supports the assumption that workforce flexibility is an important mediating variable in translating high performance work systems into improved organisational performance.

This paper presents research evidence which claims to demonstrate the erosion of the ‘classical model’ of the internal labour market in four large firms as a result of pressures both inside and outside of the organisation. The paper reports on implications both for employers and employees.

McGovern et al. provide evidence from the UK labour market that demonstrates that working in non-standard employment (part-time, fixed-term and temporary) increases workers’ exposure to ‘bad job’ characteristics. This has important ramifications given the significant rise in non-standard employment towards the end of the twentieth century.

Kalleberg discusses some key ways in which employers have sought to restructure their workforces to become more flexible and the consequences of such restructuring for workers and jobs, particularly the extent to which flexibility strategies create workforce division.

This article provides a critical overview of some of the key debates and developments discussed in this chapter, particularly the contention that the last two decades have seen a fundamental shift in economic structures and labour markets and the implications of change both for employers and employees.
Self-test questions

1. What are the characteristics of a ‘strong’ internal labour market?
2. What are key demographic changes which are affecting labour markets in many Western nations?
3. What do you understand by the term ‘the knowledge economy’ and why is it argued that many advanced capitalist nations have entered such a phase in their development?
4. Why do some commentators argue that the notion of a knowledge economy has been overstated?
5. How have businesses responded to the perceived need for increased organisational flexibility? What are the implications of these developments for employees?
6. What are the key approaches that work organisations can adopt to increase the flexibility of labour?
7. Why are some flexible working practices described only as employer-friendly?
8. Provide an assessment of the key developments affecting Quality of Working Life (QWL) over the last two decades.

CASE STUDY:
Blitzen Engineering and an ageing workforce

The UK, in common with many other advanced economies, has an ageing population, characterised by a declining proportion of young labour market entrants and a growing proportion of workers approaching or exceeding retirement age. This presents a number of challenges to organisations, particularly those who are reliant on an ageing workforce themselves.

Blitzen Engineering is a supplier of specialised automotive components made to the detailed specification of a limited number of prestige car manufacturers. The focus on quality that is the hallmark of their customers has meant ever-greater requirements for high-quality components delivered over ever-shorter timeframes. Given the exacting specification of their products and the high degree of precision necessary in their production, the importance of skilled engineers to Blitzen cannot be overstressed. Strategically, the skill, knowledge and expertise of these engineers represent a key factor in maintaining existing business and winning new contracts. In other words, the engineers at Blitzen are the core reason why the company has managed to remain highly competitive in the face of growing overseas competition and maintained such prestigious contracts.

A recent staff review at Blitzen has, however, found that the average age of engineering staff was 53. Sixteen of the 25 engineers in the firm were aged between 50 and 60 and one was over 60. No members of the engineering staff were under 30 at the time of the review. Such skewing of the workforce age profile is reflective of the wider UK engineer population (in 2005, 62 per cent of engineering technicians were aged between 45 and 64) and partly reflects an historic reluctance to invest in new technology and associated skills both by employers and
Within Blitzen there is considerable concern that within five to 10 years the vast majority of the engineering department is likely to have left the company.

Blitzen has begun to address what it considers to be a potentially catastrophic situation by seeking to recruit a number of engineering graduates, by attending recruitment fairs at local universities and advertising in local newspapers. Managers have, however, been dismayed at the level of interest in engineering jobs expressed by graduates at the recruitment fairs and disappointed by both the number and quality of graduate applicants. This partly reflects a national shortfall in engineering graduates who actually enter the engineering profession to meet the projected increase in demand for such graduates in the UK economy. Many graduates who possess the skills acquired on engineering degrees – particularly, advanced problem-solving and numeracy skills – are highly prized by firms in business services and banking and finance. Consequently, Blitzen is competing in a highly competitive labour market in which the 'best' graduates are often either ‘snapped up’ by larger engineering employers (because of their ability to pay higher wages and offer more structured graduate development programmes) or high-profile firms in other sectors. In contrast to their experiences in the graduate labour market, the HR manager had recently accepted an invitation to speak at a local further education college and had been surprised at the enthusiasm of many of the students who had attended.

YOUR TASK

You have been asked to advise senior management at Blitzen about how you might go about addressing the labour market problems that they are experiencing and put together one or more ‘strategies’ for management to consider. In reflecting on these problems, consider what factors are important in ensuring the long-term viability of the company, the interaction between the internal and external labour markets, alternative approaches to sourcing required labour and how the company might best compete in the external labour market.