

Employers' perception of downsides to flexible staffing arrangements: exploring the role of strategic motives

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Abstract

Purpose – Flexible staffing arrangements have become a permanent feature of employment in many industrial societies. This article examines how employers perceive the consequences of using flexible staffing arrangements. It presents and assesses theoretically informed hypotheses on organisational situations in which negative consequences are more likely to be perceived.

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Design/methodology/approach – This study uses data (n = 761) from a bespoke employers survey, fielded in the Netherlands in 2019. Structural equation modelling (SEM) is used to measure and explain employers' perception of downsides to flexible staffing arrangements.

Findings – Employers report distinct downsides to the use of flexible staffing arrangements in terms of performance, management and employee well-being. Model estimates show that employers using flexible staffing arrangements to acquire specific expertise or to follow other organisations in their sector perceive more downsides.

Originality/value – Empirical research on employers' perception of the disadvantageous consequences of using flexible staffing arrangements is scarce. This article highlights that this practice can discourage investments in human capital and lead to a sense of insecurity among young workers. It draws attention to the relevance of distinguishing between strategic motives when trying to understand organisational behaviour regarding non-standard forms of employment.

Keywords Non-standard employment, Flexible contracts, Employers, Human resource management

Paper type Research paper

Introduction

Non-standard employment has become a permanent feature of the organisation of labour in many European countries (ILO, 2016). The present heterogeneity in labour relations represents a dramatic shift from the “standard” type of employment that characterised work life in Western Europe during the second half of the 20th century – paid work based on a fixed schedule, under the employer's control and with mutual expectation of continued employment as evidenced by an open-ended contract (Kalleberg *et al.*, 2000, p. 258). Labour relations based on flexible staffing arrangements are less stable and inherently more uncertain than standard employment, especially regarding long-term expectations of involvement (Mattijssen *et al.*, 2022). The European Union therefore encourages employers to offer open-ended contracts to workers in non-standard employment (European Parliament and Council, 2019). Previous studies surveying employees indicated that heterogeneity within an organisation regarding employment relations can lower workers' loyalty and worsen their relations with management (Broschak and Davis-Blake, 2006; Davis-Blake *et al.*, 2003; Pearce, 1993). Organisations are generally thought to benefit from flexible staffing arrangements, as these arrangements have been argued to facilitate optimal human resource management (HRM) (e.g. Matusik and Hill, 1998). However, little empirical research has asked employers to reflect upon disadvantageous consequences of using flexible staffing arrangements. This article investigates potential downsides to flexible staffing arrangements that have been mentioned in the literature, from the perspective of the employer. It assesses theoretically informed hypotheses about situations in which these downsides are more likely to be perceived. We collected new data from a large-scale employer survey conducted in the Netherlands in 2019 and use structural equation modelling (SEM) to measure perception of downsides. The term “flexible staffing arrangements” (Houseman, 2001) is used to refer to a heterogeneous group of temporary staffing arrangements that differ from permanent employment in one or more (legal) aspects [1].

Existing literature addressing the topic of non-standard employment from an organisational perspective covers the fields of human relations (HR) and management research, as well as labour economics and the sociology of work. Within labour economics, the rise of non-standard employment has been explained as a response of firms to volatility in the need for workers due to global price competition, increasing possibilities for offshoring and fluctuations in consumer demand as well as to labour regulations such as stringent employment protection legislation (EPL) (Abraham and Taylor, 1996; Lazear, 1990). In regulated labour markets, flexible staffing arrangements involve lower firing costs than standard employment (Boeri and Van Ours, 2013). Under the assumptions of risk-averse workers or inflexible wages, employers are expected to favour a regime of flexible staffing arrangements to avoid higher labour costs and thus lower profits (Masui, 2020; Portugal and Varejão, 2022). Introducing legal possibilities for flexible staffing arrangements has therefore

been considered a remedy against persistent high unemployment, although the empirical evidence for this theory is not unambiguous.

Mostly using data from the US and the UK, several articles have examined the extent to which organisations make use of different types of flexible staffing arrangements and under which conditions (Cappelli and Keller, 2013b; Forde *et al.*, 2009; Houseman *et al.*, 2003; Kalleberg *et al.*, 2003; Uzzi and Barsness, 1998). These authors report considerable variation in the use of alternative employment arrangements between organisations. Others have looked at survey data to find out why employers choose to work with flexible staffing arrangements (Hakim, 1990; Houseman, 2001; Hunter *et al.*, 1993). Different strategic motives for the use of flexible staffing arrangements have been identified, such as adjustment of staffing to market fluctuations, personnel selection and temporary acquisition of specific skills. A limited number of studies adopted a qualitative approach to observe the social dynamics within organisations when employees with a flexible contract are present (Allan, 2000; Geary, 1992; Lautsch, 2002; Rouvroye *et al.*, 2022; Smith, 1994). Having employees in flexible staffing arrangements work together with permanent staff can create new implicit hierarchical relations within teams (Smith, 1994) and can enlarge the workload for middle-managers (Lautsch, 2002). It has also been argued that the use of flexible staffing arrangements poses a risk to the (long-term) quality of products and services (Allan, 2000) and lowers motivation among both standard and flexible employees (Rouvroye *et al.*, 2022).

At present, it remains unclear to what extent the problematic consequences of non-standard employment occur outside of the small number of industries previously studied. Few employer surveys include direct measures for observed disadvantages of using flexible staffing arrangements, resulting in a lack of quantitative organisational research on this topic and limited theoretical understanding. This study aims to address these gaps by asking the following research questions: (1) To what degree do employers perceive downsides to the use of flexible staffing arrangements? And (2) What role do employers' strategic motives for choosing flexible staffing arrangements play in explaining their perception of downsides to this employment practice? The flexible staffing arrangements collectively covered in this study are: direct employment, either based on a fixed-term temporary contract and/or a contract without guaranteed hours (on-call); temporary co-employment, meaning employment via an employment agency or any other type of labour market intermediary; and direct contracting arrangements based on closed contracts with independent (freelance) contractors (Cappelli and Keller, 2013a).

This article contributes to the academic literature on non-standard employment in three ways. First, it presents a measure capturing employers' perception of downsides to the use of flexible staffing arrangements in their organisations. To the best of our knowledge, this is the first empirical study to construct such a direct measure. With a focus on downsides, the article provides quantitative evidence on the potential negative consequences for organisations of using flexible staffing arrangements. Second, inspired by theoretical work on the structural influence of institutional logics and situational strength, we propose new mechanisms linking reasons for using flexible staffing arrangements to organisational situations to explain employers' perception of downsides. Thirdly, this study makes use of a recently conducted survey among a large, diverse sample of Dutch employers. Our results can therefore shed light on the generalisability of earlier qualitative findings (e.g. Allan, 2000; Geary, 1992; Lautsch, 2002). This type of quantitative employer data has been described as highly informative, but relatively scarce (Cappelli and Keller, 2013a). The article contributes to the broader policy discussion on the pros and cons of increasing labour market flexibility by extending the employer perspective on downsides to non-standard employment.

The Dutch labour market is characterised by strong legal protection for those in permanent employment. However, over the past three decades there has been a sharp increase in non-standard employment (OECD, 2019). In 2020, 32% of the Dutch workforce was in some form of non-standard employment (out of which 13% were self-employed) (Kösters and Smits, 2021;

Statistics Netherlands, 2020). Dutch national law prescribes a maximum number of flexible contracts that employers can offer to the same employee within a specific timespan (most often: 3 years). After this period, either a permanent employment contract must be offered or the employment relation must be discontinued for at least six months.

Background to the research

Strategic motives for the use of flexible staffing arrangements

In the literature on non-standard employment, the dominant theoretical viewpoint is that organisations use flexible staffing arrangements to reduce labour costs and shed responsibilities legally tied to standard employment (e.g. Fisher and Connelly, 2017). Several specific strategic motives have been identified. First, employers strategically use flexible staffing arrangements to be able to adapt to fluctuations in production and service requirements. Atkinson (1984, p. 3) described this usage as serving a need for numerical flexibility, the end result being “that at any time the number employed/working exactly matched the number needed”. Second, temporary labour agreements are used to postpone hiring decisions and more extensively screen applicants for permanent positions (Houseman *et al.*, 2003). Fixed-term contracts provide employers with more time to filter out less-desirable workers without having to pay them severance pay or face charges based on EPL. Third, alternative employment arrangements are used to acquire sought after human capital (Kösters and Smits, 2021; Spreitzer *et al.*, 2017). Workers with highly specialised skills can be brought into the organisation for a fixed period of time, because their skills are only required temporarily or do not belong to the organisation’s core tasks. Alternatively the demand for workers with these specialised skills may be so high that organisations are unable to persuade them to stay permanently (Forde *et al.*, 2009).

These three motives mainly concern optimising the current use of labour resources within organisations. In addition, employers have also been reported to perceive the use of flexible staffing arrangements as a necessary adaptation to stay competitive in an economic environment that is increasingly uncertain (Rouvroye *et al.*, 2022). Organisations have adopted the task of increasing and guarding their future agility as a new norm for operating on a globalising labour market (Spreitzer *et al.*, 2017). This copy-cat motive can be categorised as an example of organisational mimicry (DiMaggio and Powell, 1983) with organisations modelling their choice behaviour on that of other organisations rather than on their own specific needs.

Downsides to the use of flexible staffing arrangements

The strategic use of flexible staffing arrangements relates to one or more core processes of HRM: staffing, retention, training, adjustment to policy and business strategy and managing internal and external changes (Spreitzer *et al.*, 2017). Several authors have argued that employing workers in flexible arrangements can have a negative effect on the (longer-term) productivity of an organisation (Kleinknecht, 2020; Rubery *et al.*, 2016). Previous studies have noted a number of problematic consequences that can occur within organisations when flexible staffing arrangements are used.

Organisations that employ a large share of their workers in flexible arrangements tend to base decisions regarding the development of human capital on employment type. Qualitative findings indicate that employers hold off on firm-sponsored training for employees with a flexible contract (Geary, 1992; Rouvroye *et al.*, 2022). The expectation of a short stay within the organisation makes development of their skillset appear less profitable. However, this reluctance to invest in employees in short-term contracts can make it harder to retain high-performing (younger) employees, as they might start to feel underappreciated and leave (Rouvroye *et al.*, 2022). Moreover, firm-specific knowledge might be lost once employees with

a flexible contract leave, since they will carry on-the-job work experiences on to their next employer. Within an organisation, this development has been argued to weaken its institutional memory (Kleinknecht, 2020) and within sectors it can reduce longer term capacity for innovation (Kleinknecht *et al.*, 2014).

Another way in which the use of flexible staffing arrangements might lead to productivity losses is through a drop in the quality of products and services (Kleinknecht, 2020). To illustrate, in his case study of a large private Australian hospital with a considerable share of non-standard workers (casual, part-time and agency staff), Allan (2000) found that operational managers struggled to exercise quality control over the healthcare provided. Nursing managers reported complications with accurately handing over patients when standard and non-standard nurses worked in shifts. Shorter employment spells for individual workers reduce the opportunity for groups of workers to develop routines and learn from each other while on the job (Allan, 2000; Forde *et al.*, 2009; Geary, 1992). Moreover, workers in flexible arrangements often end up having more diversified responsibilities than initially anticipated (Rouvroye *et al.*, 2022; Smith, 1994). This might happen because non-standard workers have not yet established their “territory” and are delegated various, less desirable, tasks from permanent employees. These two mechanisms can make it more difficult to uphold quality standards.

Blending flexible and permanent employees can also create tensions, distrust and disengagement among employees and their management. A high share of temporary personnel can create a perceived need for more supervision within organisations, result in thicker management layers and consecutively higher overhead costs (Geary, 1992; Lautsch, 2002). Rubery *et al.* (2016) suggest that these financial consequences might be easily overlooked in board rooms. Davis-Blake *et al.* (2003) and Pearce (1993) both analyse survey data from employees and find that loyalty and trust among permanent employees are lower when temporary workers are present. This may increase feelings of disengagement and interest in leaving the organisation (Davis-Blake *et al.*, 2003). Furthermore, perceptions of unequal treatment can lead to feelings of frustration and conflict among flexible and standard employees and between all employees and their managers (Geary, 1992; Rouvroye *et al.*, 2022). Organisational settings in which standard and flexible personnel are working side-by-side doing similar jobs for different compensation can spark feelings of procedural unfairness (Broschak *et al.*, 2008). Management must therefore devote more time and effort to supervision to control possible conflicts (Lautsch, 2002). Not only does this increase the workload for management at the individual level (Smith, 1994), it is also thought to favour more autocratic management practices and signal social distrust (Kleinknecht, 2020). Such a working environment puts pressure on all workers, but especially on those with temporary contracts as it discourages them from providing relevant work-related feedback to their supervisors (Allan, 2000; Geary, 1992).

Explaining employers' perception of downsides: hypothesis development

To explain the extent to which employers perceive downsides to non-standard employment, we draw from theories on the influence of organisational context on individual thought processes and behaviour. Adopting an institutional logics perspective can help to explain how the strategic motives of an organisation might influence employers' perception of downsides (Thornton and Ocasio, 2008). The concept of an institutional logic has been defined as a cognitive roadmap, a set of beliefs and values that can guide members at (any level of) an organisation to channel their decision making (Ollier-Malaterre *et al.*, 2013). When institutional logics are easy to understand they facilitate thought processes and therefore decision making at the individual level. They channel employers' attention by prescribing certain actions while dissuading them from others. In doing so logics can provide perspective on future plans. The importance of context in channelling managerial attention

and organisational behaviour also lies at the heart of situational strength theory (e.g. Forehand and Von Haller Gilmer, 1964). In their review, Meyer *et al.* (2010) define “situational strength” as implicit or explicit cues that are provided by the external (social) environment about the desirability of potential behaviours. These authors propose that situational strength can be operationalised as *clarity*. Strong situations are *clear* in the sense that they provide sufficient information that is easy to understand. Strong organisational settings restrict the scope of managerial attention and the opportunity to express individual differences, by inducing uniform expectations. On the contrary, when an organisational situation is ambiguous, it creates uncertainty about what is expected, and which actions are appropriate. Ambiguous situational influence therefore allows for a wider scope of attention and more room for individual differences (Meyer *et al.*, 2010; Mischel, 1973).

Our line of argument is based on the idea that downsides to flexible staffing arrangements are more likely to be perceived when organisational circumstances are ambiguous or unclear. We further propose that the common strategic motives for the use of flexible staffing arrangements differ in terms of the *clarity* they provide for making HRM decisions. These differences in clarity might stem from two aspects. On the one hand, strategic motives for the use of flexible staffing arrangements can differ as to whether they provide clear information on which actions are expected in the future. This aspect could be described as *procedural clarity*. On the other hand, strategic motives can also differ as to whether or not they provide clear information on when, at which point in time or under which future circumstances, specific actions should be taken. We call this *temporal clarity*.

Unclear strategic motives provide less information based upon which future HRM decisions about hiring, retention and training can be made. Drawing on an institutional logics and situational strength theory perspective one would expect that organisational adherence to ambiguous strategic motives would create feelings of uncertainty among managers and HR-professionals when confronted with upcoming decisions, in this case regarding workers with a flexible contract. At the individual manager level, this uncertainty could motivate more attentive behaviour. Managers and HR professionals might focus more on the way workers in flexible arrangements are functioning within the organisation. This heightened attention would increase the likelihood that negative aspects of an employment practice are perceived. We therefore suppose that when a strategic motivation does not provide temporal clarity, employers are more likely to perceive downsides. Conversely, we expect that when a strategic motive provides temporal clarity, employers are less likely to perceive downsides to flexible staffing arrangements (*temporal-clarity mechanism*). Moreover, we suppose that when a strategic motive lacks procedural clarity, employers are more likely to perceive downsides, whereas when a strategic motive provides procedural clarity, employers are less likely to perceive downsides to flexible staffing arrangements (*procedural-clarity mechanism*).

In our empirical analyses, we identify specific strategic motives for the use of flexible staffing arrangements as explanatory factors for employers’ perception of downsides. These motives cannot be interpreted as direct measures of the concept of *clarity*. However, theoretical assumptions about the types of clarity provided by each motive can be made.

Table 1 provides an overview of our assumptions regarding the type of clarity provided by commonly reported strategic motives for the use of flexible staffing arrangements. The use of flexible staffing arrangements to accommodate fluctuations in the demand for products and services is likely to provide both temporal and procedural clarity to HRM decisions. This strategic motive stipulates that, as soon as the demand for a firm’s products or services drops, workers with a flexible contract will be fired, providing employers with temporal clarity. Since a short job tenure is expected, investment in retention and training can be low, which provides employers with procedural clarity. We hypothesise that adherence to the motive “accommodate fluctuations in demand” is associated with a weaker perception of downsides. The use of flexible staffing arrangements to screen staff on suitability for a job is assumed to only provide temporal

clarity. A focus on screening signals that workers with a flexible contract might be hired permanently and legal limitations on the duration of temporary contracts may provide an additional external timeline. However, this motive does not specify which criteria workers need to meet and to what degree they ought to be provided with training whilst still in their term. This is interpreted as a lack of procedural clarity.

The use of flexible staffing arrangements to acquire specific expertise is also assumed to only provide temporal clarity. Based on this strategic motive one might expect that involvement between the worker and the organisation will end when the acquired skills are no longer needed. Yet, this strategy does not clarify if and how workers with a flexible contract will be included in the HR practice of the organisation during their employment. While instructions directly required for the completion of duties are presumably provided it remains unclear whether these workers would also be offered developmental training and, if so, if efforts towards retention ought to be made. We hypothesise that adherence to the motives “screen staff” and “acquire expertise” is associated with a stronger perception of downsides.

Lastly, we assume that the copycat strategy to use flexible staffing arrangements because other organisations in the sector use them too provides neither temporal nor procedural clarity. This generic strategic motive provides no indications as to when action with regards to current employees in flexible staffing arrangements should be taken, nor does it entail cues on the relevance of firing, retaining or training workers in flexible arrangements. We therefore hypothesise that adherence to the motive “follow sector” is associated with a stronger perception of downsides.

Method

Data

This study is based on data from the “NIDI Employer Survey 2019”, collected among employers between July and November 2019 in the Netherlands. Data collection was executed in collaboration with a commercial survey agency. An initial stratified sample of 5,000 organisations with at least ten employees was drawn. Organisations with less than 10 employees were excluded because they tend to have little formal HR management (Cardon and Stevens, 2004). The agricultural sector was left out of the sample because manpower is utilised very differently in this sector. Stratification was based on organisation size (small; middle; large) and sector (Industry and Construction; Trades and Services; Public Sector) to ensure sufficient responses from all types of relevant organisations. Large organisations (>250 employees) and those in the public sector were oversampled and small organisations (10–49 employees) and those in services sector were undersampled. A postal questionnaire was sent to the director or CEO of the organisations with an accompanying letter stating that other employees knowledgeable about the organisation’s background and HR-practices could participate. This letter also contained a unique access code to the online version of the

Table 1.
Strategic motives for the use of flexible staffing arrangements: assumptions about the type of clarity provided and hypothesised association with perception of downsides

Motive	Accommodate fluctuations in demand	Screening staff	Acquire expertise	Follow similar organisations within the sector
Temporal clarity	√	√	√	×
Procedural clarity	√	×	×	×
Relation with perception of downsides	negative	positive	positive	positive

Note(s): √ = provided; × = not provided
Source(s): Author’s own creation/work

questionnaire. Three rounds of reminders were sent. Participation was fully voluntary; no external incentives were provided.

In total 791 organisations participated in the study, resulting in a response rate of 16%. Although this response rate is relatively low, it does fall within the range of previous employer surveys (for a review see: Baruch and Holtom, 2008). Out of the responding organisations 37% operated in “Industry and Construction”, 27% in “Trades and Services” and 36% in the “Public sector”. In terms of size, 26% of the responding organisations were small, 37% medium sized and 37% were large. The survey was completed by the head of HRM (29%), a member of the HRM department (28%), the owner/director/CEO of the organisation (27%), general or departmental managers (12%) and other types of employees (4%).

Measures

The survey included items on the strategic considerations based upon which employers choose to use flexible staffing arrangements as well as newly designed items on potential disadvantageous organisational consequences of using flexible staffing arrangements. Construction of these new survey items was based on a review of the organisational literature on non-standard employment relations as well as a series of in-depth interviews with Dutch employers (see: Rouvroye *et al.*, 2022). The terms “flexible contracts” and “flexible employment” were used to refer to flexible staffing arrangements. This is the commonly used terminology in Dutch (policy) discourse on non-standard employment.

Perception of downsides to flexible staffing arrangements. The measure for employers’ perception of downsides to flexible staffing arrangements (dependent variable) consists of seven statements describing disadvantageous consequences of the use of “flexible contracts” or “flexible employees”. The consequences that were mentioned in the statements were: lower investment in training, lower recruiting power, reduced quality of products and services, subsistence insecurity for younger workers, a larger burden on management, lower motivation among flexible workers and unhealthy performance pressure on flexible workers. Respondents were asked to rate their level of agreement with these “statements about flexible contracts” on a five-point Likert scale ranging from *completely disagree* (1) to *completely agree* (5). The exact wording of the statements can be found in Table 4.

Strategic motives for the use of flexible staffing arrangements. Employers’ strategic motivation for the use of flexible staffing arrangements (independent variables) was derived from statements describing different goals for the use of flexible contracts. These goals were: responding to fluctuations in demand, screening staff members, acquiring specific expertise and following competitors within the same sector. Here too respondents were asked to rate their level of agreement with these statements on a five-point Likert scale ranging from *completely disagree* (1) to *completely agree* (5). The exact wording of these statements can be found in Table 3.

Organisational characteristics. Employers’ perception depends on the organisational context in which they work (Forehand and Von Haller Gilmer, 1964). A set of structural organisational characteristics were therefore included in the analyses. We accounted for the proportion of female employees, the proportion of employees under the age of 35 and the proportion of employees working part-time (Survey question: *What percentage of staff in the organisation is female/younger than 35 years old/working part-time?*). In addition, we included categorical variables indicating the economic sector in which the organisation operated, along with its size (based on number of employees). Organisations can also choose to offer different types of flexible staffing arrangements (Cappelli and Keller, 2013a). To address this issue, we included dummy variables indicating the use of the following flexible staffing arrangements in the previous year: temporary-leading-to-permanent employment, fixed-term temporary employment, on-call contracts, leased labour via an employment agency and self-employed contractors (Survey question: *To what degree did the organisation use the following*

types of flexible contract during the past year?). A full overview of the included organisational characteristics, including descriptive statistics, is presented in [Table 2](#).

Control variables. To account for individual-level differences we control for respondent's gender and age. Respondents working in the HR department of an organisation may be more knowledgeable on the use of flexible staffing arrangements within their organisation, which could influence their perception of this practice. To account for this, a dummy variable indicating whether a respondent worked in an HR position was included (Survey question: *What is your role within the organisation?*). Employers' individual assessment of the rigidity of EPL might inform their attitudes regarding (permanent) employment ([Rouvroye et al., 2022](#)). To control for this possible source of variation, we included employers' responses to the question "How difficult is it in your organisation to fire an employee on a permanent contract?" which respondents answered on a five-point scale ranging from *very easy* (1) to *very difficult* (5). A full overview of respondent characteristics, including descriptive statistics, is presented in [Table 2](#).

Empirical strategy

Structural equation modelling (SEM) with maximum likelihood estimation was chosen to measure employers' perception of downsides to flexible staffing arrangements, test for unidimensionality of the dependent variable and the role of strategic motives. Based on the assumption that an overarching perception of downsides underlies employers' responses to the survey questions, employers' perception was modelled as a latent construct using confirmatory factor analysis. We preferred SEM, a highly flexible approach to the analysis of covariances, for two reasons. First, unlike other methods for constructing composite measures, measurement models in SEM allow all included indicators to have unique variances and specify an error term for each indicator ([Acocck, 2013](#)). Since we used newly constructed survey items, we wanted to account for unknown differences in the response behaviour across items. Second, full structural equation models accommodate inclusion of observed and latent variables and therefore offer a straightforward way to test hypotheses at a higher level of abstraction ([Kline, 1998](#)). Since all relationships between relevant predictors and latent constructs are estimated simultaneously, SEM models provide more statistical power to test theoretical hypotheses than any two-step procedure.

To start, we constructed a measurement model for employers' perception of downsides to flexible staffing arrangements. As part of this process we also explored multidimensional measurement models, but a single-factor solution is the best fit to our data. We then tested our hypotheses regarding the strength and direction of the relations between different types of strategic motives and employers' perception of downsides in a full structural equation model. In this model the latent factor representing "perception of downsides" is regressed on the motives, organisational characteristics and controls. Robust standard errors were used to compute z-scores and test statistical significance. Item nonresponse was low (1.6%) and did not exceed 3% for any single measure included in the analysis. Missing data were dealt with by single stochastic regression imputation ([Enders, 2010](#)) [2]. Cases with missing data on the dependent variables in the analyses were dropped, resulting in an analytic sample of 761 employers.

Results

Descriptive analyses: the perception of downsides to flexible staffing arrangements

[Table 3](#) presents descriptive information on the prevalence of the four strategic motives for the use of flexible staffing arrangements. When the answer categories *completely agree* and *agree* are taken together, the most frequently reported motive for the use of flexible contracts is to "accommodate fluctuations in demand" (65%), followed by "acquire expertise" (61%). Considerably smaller shares of the surveyed employers reported using flexible contracts to "screen staff" (15%) or to "follow sector" (5%).

Characteristic	Operationalisation	M (SD)	%	Survey question
Proportion of total employees	Women	0.39 (0.28)		What percentage of staff in the organisation ... is female? [open answer]
	Younger workers	0.28 (0.18)		... is younger than 35 years old? [open answer]
	Part-time	0.39 (0.30)		... is working part-time? [open answer]
Sector	Industry and Construction		36.7	Information provided by the commercial survey agency
	Trades and Services		27.0	Information provided by the commercial survey agency
	Public Sector		36.3	Information provided by the commercial survey agency
Size	Small (10–49 employees)		25.6	Information provided by the commercial survey agency
	Middle (50–249 employees)		37.1	Information provided by the commercial survey agency
	Large (\geq 250 employees)		37.3	Information provided by the commercial survey agency
Use of flexible staffing arrangements	No = Not, Yes = to a small/moderate/high degree			During the past year, to what degree did the organisation use ...? [Not/To a small degree/To a moderate degree/To a high degree]
	Temporary-to-permanent		94.4	... temporary-to-permanent contracts
	Fixed-term temporary		55.7	... fixed-term temporary contracts
	On-call contracts		53.8	... on-call contracts
	Agency workers		80.0	... agency workers
Age	Self-employed contractors		76.7	... self-employed contractors
		48.7 (11.3)		What is your age (in years)? [open answer]
Perceived Rigidity Employment Protection Legislation (EPL)	5-point scale	3.9 (0.9)		How difficult is it in your organisation to fire an employee on a permanent contract? [Very easy/Easy/Not easy, nor difficult/Difficult/Very Difficult]
Gender	Women		49.5	What is your sex? [Man/Woman]
HR-position	0 = no, 1 = yes, head of HRM or member of the HRM department			What is your role in the organisation? [Owner or CEO/Director/General manager/Department manager/Head of HRM/member of the HRM department]
	Yes		56.9	

Source(s): NIDI Employer Survey 2019

Table 2. Descriptive statistics: organisational and respondent characteristics (N = 761)

Employers' answers to the seven statements describing disadvantageous consequences of using flexible staffing arrangements are presented in Table 4. With regards to performance and productivity a considerable share of respondents reported that employers are inclined to invest less in the development of flexible workers (42%), that employees who receive multiple

Table 3.
Descriptive statistics:
strategic motives for
the use of flexible
staffing
arrangements
(N = 761)

Statement in the survey		Distribution of responses over answer categories (%)					M (SD)
		Completely Agree	Agree	Not Agree/ Not Disagree	Disagree	Completely Disagree	
1	Flexible contracts are used to accommodate fluctuations in the demand for products and services	20.6	44.9	34.4	10.0	5.0	3.7 (1.1)
2	Flexible contracts are the ideal way to screen staff for suitability	3.8	11.3	25.6	50.2	9.1	3.5 (0.9)
3	We use flexible contracts mainly to acquire specific expertise	19.2	41.8	23.5	13.7	1.8	2.4 (1.0)
4	We mainly work with workers with a flexible contract because other organisations in our sector do it too	0.7	4.5	16.3	44.3	34.6	1.9 (0.9)

Source(s): NIDI Employer Survey 2019

Table 4.
Descriptive statistics:
indicators for
“perception of
downsides to flexible
staffing
arrangements”
(N = 761)

Statement in the survey		Distribution of responses over answer categories (%)					M (SD)
		Completely Agree	Agree	Not Agree/ Not Disagree	Disagree	Completely Disagree	
1	Employers are inclined to invest less in the development of workers with a flexible contract	3.3	39.0	25.6	24.8	7.2	3.1 (1.0)
2	Employees who receive multiple flexible contracts become demotivated	3.9	35.0	31.9	25.2	3.9	3.1 (1.0)
3	Working with flexible contacts threatens the quality of our services or products	3.0	21.3	26.7	35.6	13.4	2.6 (1.1)
4	Working with flexible contracts increases the burden for management within organisations	4.2	27.3	38.5	23.0	7.0	3.0 (1.0)
5	Offering flexible contracts undermines the recruiting power of our organisation	1.3	11.4	39.7	37.1	10.5	2.6 (0.9)
6	Having a flexible employment relation leads to unhealthy pressure to perform among employees with a flexible contract	2.0	12.2	30.5	44.2	10.9	2.5 (0.9)
7	Flexible contracts often lead to much subsistence insecurity among young workers	6.2	35.0	30.5	22.7	5.7	3.1 (1.0)

Source(s): NIDI Employer Survey 2019

flexible contracts become demotivated (39%) and that working with flexible contacts threatens the quality of services (24%). On management issues, just under a third of employers (32%) reported that working with flexible contracts enlarges the burden for management within organisations. However, only one in eight said that offering flexible contracts undermines the recruiting power of their organisation (13%). When it comes to employee well-being, a modest share of surveyed employers reported that having a flexible employment relation leads to unhealthy pressure to perform among flexible employees (14%). Roughly two in five surveyed employers reported that the use of flexible contracts often leads to subsistence insecurity among younger workers (41%).

Figure 1 provides an overview of the measurement model for the dependent variable in our analyses, the latent factor indicating employers' perception of downsides to flexible staffing arrangements. All standardised factor loadings are highly significant. The rho-statistic, indicating composite reliability, of 0.75 shows that the latent variable in the model can account for 75% of the variation in the indicators that are used (Acock, 2013). The result for the chi-square test for model fit is significant, so other model fit indices are presented. To determine good model fit, Hu and Bentler (1999) recommend the cut-off value for the comparative fit index (CFI) and the Tucker–Lewis index (TLI) to be close to 0.95 or higher, the Standardised Root Mean Squared Residual (SRMR) to be lower than 0.08 and the root mean square error of approximation (RMSEA) to be lower than 0.08 and close to 0.05. Based on these cut-off criteria the values for the presented measurement model all indicate good model fit (RMSEA = 0.044; CFI = 0.976; TLI = 0.964; SRMR = 0.029).

Explanatory analyses: the role of strategic motives

Table 5 presents structural equation model estimates for the relation between the different strategic motives and the standardised latent factor “perception of downsides to flexible

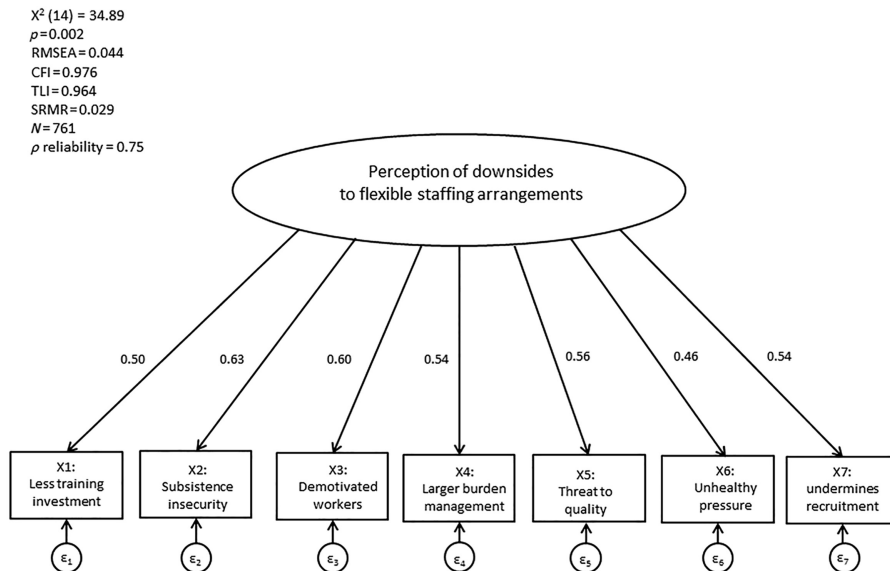


Figure 1. Overview measurement model “perception of downsides to flexible staffing arrangements”

Note(s): All standardized factor loadings are significant at $p < 0.001$

Source(s): Author’s own creation/work

Strategic motive	Perception of downsides to flexible staffing arrangements					
	Model I			Model II		
	Std. Coef	SE	z	Std. Coef	SE	z
Accommodate fluctuations in demand	-0.12*	0.05	-2.33	-0.13**	0.05	-2.66
Screen staff	0.03	0.05	0.70	0.04	0.05	0.82
Acquire specific expertise	0.14**	0.05	2.80	0.12*	0.05	2.46
Follow sector	0.15**	0.05	3.21	0.17***	0.04	3.75
<i>Organisational characteristics</i>						
Sector (Industry and Construction = ref.)						
Trades and Services				-0.15**	0.05	-3.02
Public Sector				0.06	0.07	0.89
Size (small <50 = ref.)						
Medium (50–249)				0.03	0.06	0.57
Large (>250)				0.06	0.06	1.01
<i>Types of flexible staffing arrangements used</i>						
(no = ref)						
Temporary-to-permanent				0.03	0.05	0.76
Fixed-term temporary				-0.06	0.04	-1.27
On-call contracts				0.02	0.04	0.53
Agency workers				0.04	0.05	0.89
Self-employed contractors				-0.05	0.04	-1.18
Women employees				-0.01	0.08	-0.09
Younger workers				-0.05	0.04	-1.18
Part-time workers				-0.04	0.08	-0.51
<i>Respondent controls</i>						
Woman (man = ref)				-0.02	0.05	-0.37
Age				0.03	0.04	0.74
HR position (no = ref)				-0.11*	0.05	-2.11
Perceived rigidity EPL				0.06	0.05	1.26
R^2		0.06			0.12	
Note(s): * $p < 0.05$. ** $p < 0.01$. *** $p < 0.001$ - based on robust standard errors						
Source(s): NIDI Employer Survey 2019						

Table 5. Structural equation model estimates for the effect of strategic motives for using flexible staffing arrangements, organisational characteristics and respondent controls on the latent factor “perception of downsides to flexible staffing arrangements” ($N = 761$)

staffing arrangements” (Model I). In the complete model the latent factor was regressed on the four strategic motives, organisational characteristics and respondent controls (Model II).

The results for model II show that employers who use flexible staffing arrangements to “accommodate fluctuations in demand” perceive fewer downsides to the use of flexible staffing arrangements than employers who do not adhere to this motive ($b = -0.13$, $p = 0.008$). Moreover, we find that employers who use flexible staffing arrangements to “follow (competition in the) sector” perceive more downsides to the use of flexible staffing arrangements than employers who do not adhere to this motive ($b = 0.17$, $p < 0.001$). The estimates in Table 5 also show that employers who use flexible staffing arrangements to “acquire expertise” perceive more downsides to the use of flexible staffing arrangements than employers who do not adhere to this motive ($b = 0.12$, $p = 0.014$). These findings support our hypotheses about the directionality of the associations as presented in Table 1. We do not find statistically significant evidence for a relationship between the use of flexible staffing arrangements to “screen staff” and “perception of downsides to flexible staffing arrangements” [3].

With regard to the control variables, the estimates in Table 5 show that employers working in Trades and Services perceive fewer downsides to flexible staffing arrangements than employers working in Industry and Construction ($b = -0.15$, $p = 0.003$). Changing the sector-variable’s reference category shows this to also be true when compared to employees

in the Public Sector ($b = -0.21, p < 0.001$; results not shown in table). Moreover, the results for Model II show that employers working in an HR-position perceive fewer downsides to flexible staffing arrangements than those not working in an HR-position ($b = -0.11, p = 0.035$). For the other variables included in the analyses, no significant relations were found.

Employers' actual behaviour regarding the use of flexible staffing arrangements positively correlates with their strategic motivation and might also inform their evaluation of HRM practices. This issue was addressed via a sensitivity analysis in which indicators for the share of the organisation's workforce in flexible staffing arrangements were included as controls into model II [4]. The results from this extended model also show the separate strategic motives to be statistically significant predictors for the perception of downsides. The sign and the size of the coefficients for the strategies "accommodate fluctuations in demand", "acquire specific expertise" and "follow sector" remain roughly the same.

Conclusions and discussion

The use of flexible staffing arrangements in organisations changes the social context of work (Cappelli and Keller, 2013a). This article examined employers' perception of potential downsides to non-standard, flexible work arrangements based on data from a large-scale employer survey conducted in the Netherlands in 2019. Descriptive results show that a considerable share of responding employers agree that the use of flexible contracts can lead to lower investment in the development of workers with a flexible contract, subsistence insecurity among younger workers, demotivated employees and a larger burden for management. A subset of respondents acknowledged that the use of flexible staffing arrangements threatens the quality of services or products. A modest share of employers reported that having a flexible employment relation leads to unhealthy performance pressure on flexible workers and can lower an organisation's recruiting power. The present study investigated hypotheses about situations in which these downsides are more likely to be perceived. Structural equation model estimates show that, on average, employers who use flexible staffing arrangements to acquire specific expertise or to follow other organisations in their sector (copycat strategy) perceive more downsides. The evidence also suggests that employers who use these arrangements to accommodate fluctuations in demand perceive less downsides to flexible staffing arrangements. These findings can be interpreted as indirect empirical support for the idea that whether or not a strategic motivation provides clear guidance on *which* actions are expected in the future, predicts the likelihood of employers perceiving downsides (*procedural-clarity mechanism*). The results of this study can also be understood as partial, inconclusive evidence for the proposed mechanism that whether or not a strategic motive provides clear guidance on *when* specific actions would be taken, predicts the likelihood of employers perceiving downsides (*temporal-clarity mechanism*).

The present study has noteworthy strengths: to our knowledge it is the first empirical study to construct a measure capturing employers' perception of downsides to the use of flexible staffing arrangements in their organisations. Nevertheless, this study is not without limitations. First, the analyses presented in this article are based on cross-sectional data. Our results therefore do not allow for a causal interpretation of the relation between strategic motives and employers' perception of downsides. We encourage the collection of longitudinal data among employers on the topic of flexible staffing arrangements to address this issue. Such panel data would allow for the observation of changes over time and therefore the examination of learning effects as well as better disentanglement of stated motives and actual use of flexible arrangements. Second, we used single-item measures to operationalise the strategic motives for the use of flexible staffing arrangements. These measures do not capture the underlying concept in great detail. Moreover, our data do not contain direct measures for the two types of clarity that feature in our theoretical framework. Our empirical results can therefore best be seen as providing an indirect test of the proposed mechanisms.

Follow-up studies could use more refined measures to tap into employers' strategic motivation and include direct measures for employers' perception of (types of) clarity. Thirdly, it remains unclear whether our findings about employers' perception of downsides to flexible staffing arrangements can be generalised to other European countries. Given that the Dutch country context is quite specific (OECD, 2019), future research could investigate disadvantageous organisational consequences of using flexible staffing arrangements in other European countries.

The organisational literature on non-standard employment has predominantly focused on detailing the benefits of using alternative employment arrangements. The results from the present empirical study provide some contrast to the optimistic picture painted in certain theoretical accounts (e.g. Matusik and Hill, 1998). When directly asked in a survey, employers do acknowledge that using flexible staffing arrangements within their organisation has several downsides. Employers especially perceived downsides relating to HRM. These findings corroborate previous qualitative research reporting disadvantageous organisational consequences of the use of flexible staffing arrangements (e.g. Allan, 2000; Geary, 1992; Lautsch, 2002). Whereas these studies were predominantly conducted in the US, the UK and Australia, this article broadens the scope of the literature to include continental Europe, where non-standard employment has been on the rise. Despite clear differences in the macro societal context, the employers in our study report similar disadvantageous organisational consequences of the use of flexible staffing arrangements to those in previous studies.

From a societal perspective, the results of this study could be of interest to policymakers charged with evaluating current labour market conditions. Employers' acknowledgement of lower training investments in and high subsistence insecurity among young workers as consequences of the use of non-standard forms of employment, demonstrates the problems often associated with increasing labour market flexibility (e.g. Kalleberg, 2018). Additionally, organisations might benefit from insights into the way in which their strategic motives for the use of flexible staffing arrangements relate to managers' or HR staff's perception of downsides to this employment practice. Our findings suggest that a lack of clarity on which concrete actions are expected in the future might make HRM decisions regarding employees in flexible staffing arrangements more uncertain and thus more difficult. Organisations might want to explicate the conditions under which non-standard types of employment, as opposed to permanent employment, are preferred. This could facilitate decision-making processes at different levels of an organisation, since strategic motives are likely to channel managerial attention (Forehand and Von Haller Gilmer, 1964).

The past decades have seen continuing debate about the societal implications of increased flexibility in labour relations. It has become clear that being in non-standard employment can have a negative long-term impact on individual employees, specifically in terms of economic stability (Kalleberg, 2018; Mattijssen *et al.*, 2022). Despite their prominence in modern-day organisations, few empirical studies had previously investigated the negative consequences of flexible staffing arrangements from an employers' perspective. By studying disadvantageous consequences of flexible staffing arrangements, this article provides valuable new insights, particularly for those aiming to understand and regulate organisational behaviour with regards to flexible labour.

Notes

1. In the literature on heterogeneity in labour relations, various terminologies can be found. Previous publications have used "alternative working arrangements", "non-standard work arrangements", "contingent work(ers)", "casual work(ers)", "flexible labour", "flexible employment" or "atypical employment" to refer to, broadly speaking, similar groups of employment arrangements.
2. Stata command: `mi impute chained` in Stata Version 16, $m = 1$

3. We checked to what degree the observed, statistically significant, relations between the key predictors and the latent factor “perception of downsides to flexible staffing arrangements” were sensitive to model specifications. We found the relation between “accommodate fluctuations demand” and “perception of downsides to flexible staffing arrangements” to be somewhat less robust than that of “acquire expertise” and “follow sector”.
4. These dummy-indicators are based on the survey question ‘*What percentage of the staff in your organisation do you consider to be part of the flexible periphery?*’ The size of an organisation’s flexible workforce was divided into five categories: 0%, 1–9%, 10–19%, 20–29%, 30 and up %.

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