

CHANGING FORMS OF EMPLOYMENT IN THE  
CONTEXT OF BUSINESS SURVEYS

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## **Abstract**

This paper discusses of selected concepts related to employment. The objective is to briefly introduce the definitions used and evaluate the importance of some topics closely related to services, such as part-time vs. full-time employment, permanent vs. temporary work and telework. These type of variables are generally included in Labour Force Surveys. However, it is left open for the Group's comments and discussion to what extent and how these type of variables could be integrated to business survey frameworks to provide data of the changing patterns of businesses' employment policies.

## **Background**

1. This paper discusses briefly the concepts on employment. The topics covered here are related to employment, job and work i.e. type of work and work contract that could be relevant in business survey frameworks. The variables related to employee characteristics, such as sex, age and education, fall beyond the scope of this paper.
2. When looking around we see a growing number of emerging new patterns of work replacing the traditional forms of work. These phenomena are related to the current changes in developed countries, resulting from the pressures of globalization, new technologies such as computers and telecommunications and so forth. The implications of the recent developments to the labour market and the ways in which persons are nowadays employed have proven to be significant.
3. The present labour market can increasingly be characterised in terms of flexibility, mobility, uncertainty and professionalism. Furthermore, unemployment and underemployment have become hot political issues in many developed countries. Many experts share the view that there is an ever decreasing amount of work to be shared in the future, since not even the service industries are able to absorb the growing amount of labour force, largely due to new technologies.
4. Statistical production usually lags behind these kinds of new and even revolutionary phenomena. Changes in the forms of employment are already visible and the implications for the future need of statistical data is expected to be of major importance. For instance, the international comparisons of productivity will be increasingly problematic if the labour input is not correctly measured. Several of the variables discussed here are also relevant concerning productivity measurement and comparisons.
5. The data on supply of labour is generally covered by labour force surveys. However, the data for labour demand by businesses is often scarce. Particularly in services with growth potential, the changes in the composition of labour demand reflected by the characteristics of new jobs should be monitored. For example, the data for the European Union shows that the highest rate of growth since 1990 has occurred in business services and computer-related activities, where employment increased by 7 per cent per annum

between 1990 and 1994.<sup>1</sup>

6. The objective of this paper is to briefly introduce some employment related topics to the Voorburg Group member countries for further discussion. Comments on their recognition and importance in statistical production by NSO's together with the actual and potential ways to measure them are welcomed, particularly with reference to business survey frameworks. This could also serve as an input for the potential enlarging of the model survey framework.

7. This paper consists of three chapters. The reasons for change in employment are briefly discussed in chapter 1. Chapter 2 summarises the characteristics and on occasion also definitions of selected variables, such as part-time vis a vis full-time, telework, permanent vis a vis temporary work. Concluding remarks are given in chapter 3.

### **Reasons for Change in Employment**

8. 'For more than forty years, the service sector has been absorbing the job losses in the manufacturing industries. Until recently, most economists and business leaders remained confident that the trend would continue. Their hopes are now being tempered as new information technologies begin to make major inroads in the service sector itself, raising productivity and displacing labour across the entire expanse of service-related industries'.<sup>2</sup>

9. The service sector is currently experiencing gains in productivity largely due to new information and communication technologies and simultaneously being able to do so with fewer employees. Machines are no longer producing only goods but the new 'intelligent machines' are increasingly replacing part of the thinking process as well. Several traditionally labour intensive services are currently being replaced by computer and telecommunications technologies.

10. The ongoing process of globalization requires companies to be more flexible and mobile to be able to compete in the dynamic world markets. To match the global market needs and competition, enterprises are forced to change the composition of labour. Out sourcing, as well as temporary and part-time workers are phenomena leading to a growing number of contingent workers. Enterprises are increasingly hiring employees only when they need labour. Even a part of service professionals are becoming contract and temporary workers.

11. Furthermore, due to savings in personnel costs like pensions or paid sick leave for

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<sup>1</sup> Employment in Europe 1995, DG for Employment, Industrial Relations and Social Affairs, Brussels Luxembourg 1995: p.59.

<sup>2</sup> Jeremy Rifkin: The End of Work, New York 1995, p141.

contingent workers, hiring persons non-permanently is an attractive option to cut down labour costs, particularly for enterprises operating in labour intensive service industries. From an individual's point of view, the increased insecurity of the workplace is probably decreasing employee loyalty and the overall well-being of the employed.

12. The restructuring of work organisations is also accelerated by means of computer networks. The emergence of computer networks is a rather new phenomenon, but already the effects related to work organisations are visible. Particularly for small businesses, flexible operations via computer networks offer new potential and markets. However, the statistical documentation of this phenomenon is still in its infancy.

### **Selected Variables Related to Employment**

13. The aim of this chapter is to bring to light some important topics related to employment. References are made to i.e. ILO, Eurostat and OECD manuals. The presentation leaves it open whether the variables can be included in enterprise surveys.

### **Full-time vis a vis part-time work**

14. Part-time employment has been growing rapidly in the last two decades or so, particularly in industrialised countries. It has been used as a means of recruiting additional workers into the labour force during periods of labour shortage. At present, part-time employment is increasingly used as an instrument of distributing work among growing labour force.<sup>3</sup> It is also easy to see that the increase in part-time work has taken place simultaneously with the rapid growth in service industries.

15. Employed persons may be classified as full-time or part-time workers on the basis of their daily or weekly working hours. For operational purposes international standards specify that persons who have been working at least one hour during the reference period are considered as employed in Labour Force Surveys. Instead, the international practices of defining part-time working hours vary depending on the methodology chosen.

16. At present, there is no international statistical definition of part-time work. One may define part-time work as regular, voluntary work carried out during working hours distinctly shorter than normal. While this definition introduces the concept of part-time employment, its implementation for statistical purposes requires specification of what is meant by working distinctly shorter than normal hours and by doing so on a regular and voluntary basis.<sup>3</sup>

17. The definition in the Eurostat manual for Labour force survey<sup>4</sup> is different since the

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<sup>3</sup> Surveys of economically active population, employment, unemployment and underemployment: An ILO manual on concepts and methods, Geneva 1990, p.85-87.

<sup>4</sup> EUROSTAT: Labour Force Survey, Methods and definitions, 1992 series.

distinction between full-time and part-time workers is made on the basis of a spontaneous answer given by the respondent.

18. In the OECD job study (1995), part-time employment as a share of total employment is shown for 1993.<sup>5</sup> The figure reveals considerable variance between the countries as the records for ten countries exceed 20 per cent (Netherlands over 30 per cent) while there are eight OECD member countries where the part-timers represent less than ten per cent of the employment.

19. In the countries of the European Union <sup>6</sup> part-time employment has expanded significantly over the recent past both in absolute terms and relative to full-time employment. This was especially true during the recession after 1990.

*Measurement:*

20. The main source of information on the part-time vs. full-time distinction is generally Labour Force Surveys. Possibly also supplementary surveys are carried out by other authorities. The model survey framework presented in 1990 for the Voorburg Group <sup>7</sup> registers data with the breakdown into full-time and part-time employees (module 9).

21. At Statistics Finland there are no regular business surveys for services with this breakdown of the enterprises' present stock of employees or for those of newly recruited.

**Permanent vis a vis temporary work**

22. The work contracts between employer and employed are increasingly made on a temporary basis. Although temporary jobs in the European Union account for only around 10 per cent of total employment, they have been an important source of employment growth.<sup>8</sup>

23. The OECD job study<sup>9</sup> presents the share of temporary employment of all employees in 15 member countries for 1992. The data is collected from different sources. In half of the countries temporary workers account for around a ten per cent of all employees.

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<sup>5</sup> Data refer to 1992 for 6 member countries and to 1994 for one member country

<sup>6</sup> Employment in Europe 1995, DG for Employment, Industrial Relations and Social Affairs, Brussels Luxembourg 1995: p. 54.

<sup>7</sup> A Model survey for computer services. Voorburg Group meeting, Paris 1990.

<sup>8</sup> Employment in Europe 1995, DG for Employment, Industrial Relations and Social Affairs, Brussels Luxembourg 1995: p.56

<sup>9</sup> OECD Job Study 1995: p.22.

However, Spain (close to 35 %) and Australia (20 %) account for the highest figures. The variation in the proportion of temporary workers may also reflect differences in the legislation and the power of labour unions in each country.

24. Increased competition make the companies hire employees more flexibly, when they are needed. By this type of employment strategies enterprises are able to cut down their labour costs. In many countries this has also lead to a growing demand in the provision of personnel services provided by private employment agencies.

25. According to the Eurostat manual of Labour Force Survey<sup>10</sup> a job may be regarded as temporary if it is understood by both the employer and the employee that the termination of the job is determined by objective conditions such as reaching a certain date, completion of an assignment or return of another employee who has been temporarily replaced. In the case of a work contract of limited duration the condition for its termination is generally mentioned

in the contract. These groups include

- (i) persons with a seasonal job,
- (ii) persons engaged by an employment agency or business and hired out to a third party for carrying out a 'work mission'
- (iii) persons with specific training contracts.

26. It is quite obvious that all three types of temporary work are of growing interest for businesses when structuring their employment policies. A Finnish study<sup>11</sup> based on Labour Force Survey data for 1993 shows that 60 per cent of the newly employed (within less than one year) had a fixed term contract. The corresponding figure for 1989 was 38 per cent. The dramatic increase in temporary jobs is mainly explained by the economic recession and rapidly increasing unemployment experienced in Finland in the beginning of 1990's.

#### *Measurement:*

27. The measurement of permanent vis a vis temporary work is generally related to the framework of labour force surveys. However, there is probably very little data on the demand for labour by businesses broken down by the type of contract. The data for the type of contract of the total stock of employees compared to that of newly recruited (inflow to enterprise e.g. within a one year period) could reveal the changes in the businesses' recruitment policies reflecting the overall change in the demand for labour.

### **Self-employment**

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<sup>10</sup> EUROSTAT: Labour Force Survey, Methods and definitions, 1992 series.

<sup>11</sup> Statistics Finland, Changes in Working Life during the Recession, Labour Market 1992:2.

28. Self-employment is a phenomenon closely related to agriculture but also to service industries consisting mainly of small enterprises. According to OECD Employment Outlook 1992<sup>12</sup>, the share of self-employment in finance, insurance, real estate and business services, the source of many new higher-level jobs, is quite substantial in several countries. This is the branch where self-employment has grown fastest between 1983 and 1990; it is also a branch with a rapid overall employment growth.

29. For many self-employed persons, other businesses are the main customers. The growth of self-employment is also related to the 'contracting out' phenomena in which the enterprises buy services from other enterprises specified to provide a rather narrow scope of professional services (such as computer services) instead of producing these services internally. The self-employed persons providing business services on contract often have high-level jobs.

30. According to ILO definition<sup>13</sup> self-employment consist of persons who, during the reference period, performed some work for profit or family gain, in cash or in kind. Self-employed are also persons with an enterprise, which may be a business enterprise, a farm or a service undertaking, who were temporarily not at work during the reference period for some specific reason.

31. Self-employed persons may be divided into two groups according to the SNA 1993<sup>14</sup>: those with and those without paid employees of their own. Those with paid employees are described as employers and those without paid employees are described as own-account workers. Own-account workers may be further subdivided into outworkers who are under some kind of formal or informal contract to supply goods or services to a particular enterprise, and ordinary own-account workers who may be engaged in either market production or production for own final consumption or own capital formation.

*Measurement:*

32. Self-employment and own-account work are concepts used in labour force surveys, censuses and SNA. Self-employed could be surveyed directly although there exist identification and resource problems when surveying small businesses. As stated earlier, many of the self-employed provide business services. The use of self-employed as subcontractors can be traced indirectly from general business surveys. The module 9 of Model Survey framework for computer services breaks down the employment data into

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<sup>12</sup> OECD Employment Outlook, Paris 1992, p.158.

<sup>13</sup> Surveys of economically active population, employment, unemployment and underemployment: An ILO manual on concepts and methods, Geneva 1990, p.70.

<sup>14</sup> System of National Accounts 1993, p.165-166.

working proprietors and partners and paid employees.

## Telework

33. Traditionally, telework has been defined in such a way that at least part of the work tasks are performed outside the actual workplace on an employment contract basis and with the role of information technology as a working tool being important or essential. But the term may be interpreted in a wider sense than in traditional terms, where for example the information technology aspect may not be relevant<sup>15</sup>.

34. According to the definition of telework in the survey for the member organisations of the Finnish Information Processing Association (the major suppliers and users of information processing services), telework refers to work performed outside of the office, independent of normal office hours, facilitated by computer and communications technology. Telework is confined to work that can be completed in the conventional office location, but is not completed entirely there as a result of special arrangements. The main reasons for telework initiation among the surveyed enterprises were: more efficient use of time, increased productivity and efficiency, management of work fluctuation and motivation of staff. Some of the secondary reasons were to retain key personnel and to facilitate overtime work<sup>16</sup>.

35. In the TELDET-project (Telework Penetration, Potential and Practice in Europe) it was estimated that the potential amount of teleworkers in Europe is on average about one-fifth of the labour force. It has been said that in the widest possible sense, the theoretical potential of telework covers all people who handle, produce or deliver information in their jobs. Every second employed in Finland now belongs to the category of information workers, people working in information occupations.<sup>16</sup>

36. According to the First Annual Report, given by the Information Society Forum<sup>17</sup>, 'as the Information Society develops, company organisations will evolve in the direction of vertical disintegration, teleworking and decentralisation and be based on allocating

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<sup>15</sup> The Associations of Finnish Local Authorities, PT Finland Ltd. and the Ministry of Labour, Telework Development Programme, the Advisory Committee for Rural Policy 1995, p.9.

<sup>16</sup> The Finnish Ministry of Labour, Publications of Labour Administration Number 143, Directions of telework in Finland 1996, p.3-4, 18.

<sup>17</sup> Information Society Forum, 'Networks for People and their Communities, First Annual Report to the European Commission from the Information Society Forum', June 1996.



non-strategic activities to external suppliers so as to increase flexibility.' If teleworking is to be the employment future for millions of people, at least we need a proper definition for teleworking. Teleworking as a company policy, on the labour demand side, should be measured in the same way as it has been monitored on labour supply side (via for example labour force surveys).

*Measurement:*

37. The internationally comparable measurement of telework is currently difficult since it is an emerging pattern of work and has no internationally agreed definition yet. In the Finnish Labour Force Survey some elementary questions on teleworking were asked already in the beginning of the 1990's and a more detailed follow up is planned at present. Telework reflects companies' employment policy and related data sets specifying this phenomenon could be integrated in enterprise surveys.

**Occupation**

38. Occupation refers to the kind of work performed by the person employed irrespective of the industry or the status in employment of the person. Information on occupation provides a description of a person's job. In the present context a job is defined as a set of tasks and duties which are carried out by, or can be assigned to, one person. Persons are classified by occupations through their relationship to a job<sup>18</sup>.

39. In ISCO-88 occupations are grouped together mainly on the basis of the similarity of skills required to fulfil the tasks and duties of the jobs. Two dimensions of the skill concept are used: skill level, which is a function of the range and complexity of the tasks involved, where complexity of tasks has priority over the range; and skill specialisation, which reflects the type of knowledge applied and the goods and services produced<sup>18</sup>.

40. The European Commission's publication on Employment in Europe 1995 states that 'Over the long-term in the Union there has been a gradual shift in the structure of occupations away from manual jobs, skilled as well as unskilled, towards non-manual jobs, especially those with a high skill content, requiring extensive education and training. This shift has been particularly marked during periods of economic recession, when the demand for high level skills has usually continued to expand, while those with relatively few qualifications have both suffered job losses directly and have found it difficult to obtain alternative employment as competition on the labour market scarce jobs has intensified.'

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Surveys of economically active population, employment, unemployment and underemployment: An ILO manual on concepts and methods, Geneva 1990, p.165.

*Measurement:*

41. Labour force surveys and censuses gather information on occupational structure. On the

other hand, the occupational data collected from business surveys is scarce <sup>19</sup>. Employment cost data referring to selected occupations can be collected directly from enterprises. However, the data on selected occupations does not reveal the changes in businesses' occupation structure. When surveying occupational structures directly from businesses, they can only be included in broad terms. Surveys could supply information on the stock and changes in the businesses' job structures. This data is particularly important in the context of growing service industries with high-skilled jobs.

**Concluding remarks**

42. In Finland, some of the variables discussed above cannot be extracted even from the extensive population registers, since the data related to the type of work or work contract is scarce. On the other hand, the registers are good in providing full information on the characteristics directly related to persons employed, such as sex, age, income and education. However, data on part-timers, temporary workers or teleworkers are missing and currently being provided by the Labour Force Survey. The demand side of these variables could thus be potential candidates to be monitored via business surveys.

43. The purpose of the preceding chapters was to raise the question of whether any of the elementary variables discussed in chapter 2, or possibly any other, could be viewed to be of major interest to be tested or adapted in business survey frameworks, for instance as a supplement to financial data collection. This would imply that the personnel is a dominant production factor in several service industries. Quite probably several of the above items have already been a part of business surveys and are even provided on a regular basis in several countries. This paper has some reference to the Finnish experience, and we would like to address the same questions to the other member countries i.e.

- How are these variables measured? (business surveys, LFS).
- Experiences of measurement (comparability, definitions and classifications used, etc.)
- Which variables are the most interesting in the context of business surveys?

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Eurostat Methodological Manual on Business Statistics, chapter 'General Framework' version 1 October 1995 makes a breakdown relating to personnel qualifications levels (code 96) as executives and managers/employees and service personnel, apprentices to be broken down further according to industry specific characteristics.

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