

Classifying Work in the New Economy

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Abstract:

Alternatives to the archetypal model of full-time, regular employment are now both prevalent and wide-ranging. Over a fifth of US workers, and even more globally, now perform economic work under arrangements that differ from full-time, regular employment. Yet most of our management and social science notions about economic work are based on the full-time employment model. We know relatively little about the operation and consequences of alternatives arrangements in part because while these arrangements vary considerably, they are commonly grouped together for research purposes using existing classification systems. We outline an inclusive classification system that distinguishes clearly between employment and its alternatives. It also distinguishes among the alternatives themselves by grouping work arrangements into categories that share common properties and that are distinct from each other in ways that matter for practice and for research. The classification system is based on distinctions about the sources and extent of control over the work process, the contractual nature of the work relationship, and the parties involved in the work relationship. Our classification system is both informed by and reflects the legal distinctions among these categories. We explore implications of our system for research and theory development.

INTRODUCTION

Textbook accounts of important workplace management topics such as work attitudes and behavior, organizational culture, and outcomes like turnover and job performance are based on the full-time employment model and the unique relationship that employers have with employees. Alternatives to traditional employment such as independent contracting, temporary help, and “vendors on premises” now account for as much as 20 percent of the individuals doing economic work in the US and a higher percentage in other countries. There is little reason to believe those textbook accounts should apply to the array of available alternatives.

Further, these various alternatives are often quite different from each other. Yet most studies lump them together in categories like “non-standard work” (literally everything but regular, full-time employment) and “contingent work” (arrangements that lack the potential permanence of employment). Such classifications were designed to distinguish good jobs from bad jobs, but changes in the workforce have blurred even that simple distinction: high-wage IT contractors in non-standard work have better jobs than low-wage fast-food workers in full-time employment, for example. More recently, the variations among alternatives have become more extensive: contracting relationships can last longer than regular employment; organizations hire temp workers directly rather than through agencies; employees can work permanently offsite (in their homes, e.g.) while contractors can have offices at the client’s location. As a consequence, distinctions that appeared to make sense for classifying work in the past, such as how long a job lasts, no longer appear useful, hindering our ability to build knowledge about these new arrangements.

At the same time, scholars are becoming increasingly aware that the organization of work and the broader context in which work takes place has tremendous implications for how we think

about individual, managerial and organizational outcomes (Ashford, George, & Batt, 2007; Grant & Parker, 2009; Humphrey, Nahrgang, & Morgeson 2007). So the need to understand the context associated with these growing arrangements increases. Yet existing classifications also obscure differences that are central to management concerns. Consider the example of temp work. Temps working for agencies may work on a full-time, regular basis as an employee of their agency even though they hop from client-to-client; temps that are hired directly, in contrast, are employees of the organization where they work and may perform the same job each time, but their days of work may be very erratic. Both arrangements are called temporary help, but they have little in common. Including both in studies of “temporary help” would lead to unmanageable measurement error, and conclusions from studies of one type of temp work will not generalize to the other.

The absence of clear distinctions among these alternatives has left scholars interested in studying them without an accepted and shared vocabulary, impeding communication and accumulation of knowledge (Lodahl & Gordon, 1972; Pfeffer 1993; Salanik, Staw, & Pondy, 1980). Perhaps to avoid having to use what Osnowitz (2010: 10) describes as nebulous concepts such as “contingent work,” most of the studies of alternative arrangements focus on a single arrangement, such as independent contracting (Ashford et al., 2007; Connelly & Gallagher, 2004). There is little to guide us on the external validity of such studies, though, whether their conclusions apply to any other type of arrangement and, if so, which ones. Nor do we have any guide for forming hypotheses across these different arrangements on basic questions such as what factors explain individual work attitudes and performance. Consider, for example, the challenge of studying the job performance of truck drivers working for a typical shipping company where some are regular, full-time employees, some are independent contractors who

own their trucks, and some are leased employees under contract to an agency (Belzer, 2002). These different arrangements certainly call for separate hypotheses. Indeed, the influence of those arrangements may overwhelm the importance of the common attributes of job tasks.

What we need in order to make progress on understanding these important and growing alternative arrangements begins with a classification system for organizing the various arrangements through which individuals can be engaged in economic work. As we describe below, lessons from the philosophy of science suggest that a good classification system should organize elements into categories where their important attributes are similar, where those attributes are distinct from those of other categories, where those differences are discrete (rather than continuous), and where the attributes relate to issues of interest (in this case to management research). We use these criteria as a means to evaluate current classification systems and find them to fall short on a number of dimensions.

We then develop an inclusive classification system of arrangements for economic work – defined as activity undertaken for another party in exchange for compensation – which meets those objectives. Presented in Figure 1, our system is based around the theoretical construct of control; specifically, how control over the work process governs the relationship between the worker and the organization that benefits from the worker’s efforts. The most important source of that control and how it constrains the organization stems from underlying legal frameworks that determine the nature of the relationship and, in turn, a great many attributes about how the organization can “manage” the workers performing the tasks. We outline a classification system that begins with the distinction between employment and contractual arrangements, which are underpinned by employment law and contract law, respectively. The employer has well-known powers but also obligations to employees associated with employment law while the client and

worker in contractual arrangements have a market-based arrangement outlined in the contract and enforced by the courts. The important distinction within each of these two categories has to do with whether the relationships are direct or triangular in the sense that they involve third parties such as temp agencies.

While developments in the workplace have blurred the distinctions created in previous attempts to classify work arrangements, legal frameworks create homeostatic pressures to sustain the distinctions across these categories. Most important, this system reveals unique hypotheses linking factors and outcomes in each category as well as comparisons across arrangements that allow effective tests of those relationships.

Insert Figure 1 about here

Prior to describing the most commonly used classification systems and describing our attempt to address their shortcomings, we briefly detail the growing use of alternative arrangements, as the usefulness of our taxonomy rests in part on how prevalent these arrangements are in practice.

HOW EXTENSIVE ARE ALTERNATIVE ARRANGEMENTS?

Surveys of employers/organizations provide more accurate reports of the incidence of alternative arrangements than do surveys of individuals because employer respondents are more likely to understand the distinctions between different arrangements and can report how often work is actually being performed. Yet such surveys are surprisingly rare.

The most detailed and still the most recent of government data on these issues comes from the 2000/2001 National Employer Survey, which asked firms several questions about their use of alternative arrangements for economic work (see Table 1). Altogether, the percentage of

individuals who are working for an organization at its location in a typical week but who are not regular, full-time employees is 14 percent. These include part-time workers, temps hired directly by the employer, temps hired through agencies, independent contractors, workers employed through professional employee organizations (PEOs), and the employees of vendors working at one's establishment. On a "peak" week, the use of temporary help pushes that figure up to 20 percent. A more recent survey, albeit with a less representative sample (Dwyer, 2011), found that nearly 22 percent of the average respondent's workforce consists of non-employees. Employers in that survey report difficulty in even keeping track of the array of alternative arrangements they are using as well as thinking through how best to choose and then manage those arrangements.

Insert Table 1 about here

While many of these alternative arrangements began in the US, they are actually more prevalent in other countries. For example, temporary help alone constitutes 14.5 percent of the European workforce, 9.0 percent in the G7 countries, and 12.1 percent in the OECD member countries. The percentage of temporary workers also grew faster in in the first half of the 2000's in Europe (14 percent), the G7 countries (6.7 percent), and OECD countries (10.7 percent) than in the US (4.7 percent). Meanwhile, the staffing sector has grown into a \$300 billion-plus worldwide industry, with 72,000 private employment agencies providing organizations with temporary, leased and temp-to-perm workers working as many hours as 9 million full-time employees (CIETT, 2011). Such agencies alone provide 1.3 percent of all worker hours in the US, 1.5 percent in Europe, and 1.7 percent in Japan.

The use of alternative arrangements, especially temporary agency work, increases sharply when economies are recovering from economic downturns and tends to remain high when

growth returns (Lou, Mann, & Holden, 2010; Peck & Theodore, 2007). The percentage of work being performed under alternative arrangements may therefore continue to increase, underscoring the need for a taxonomy which will help us to develop theories which are able to take into account the difference among these alternatives.

AN APPRAISAL OF PRIOR CLASSIFICATION SYSTEMS

One approach to investigating questions related to alternative arrangements is to treat each arrangement as unique and then examine how it operates. Indeed, much of the existing literature consists of such studies. One down side to this *sui generis* approach begins with the fact that the number of arrangements keeps expanding and is already quite large, so a manageable set of findings about alternative work overall becomes ever more difficult to assemble. A simpler approach is to begin with a classification system of these alternative arrangements that will reveal the most important similarities and differences across them in a shorthand manner. Such a system greatly simplifies programs of empirical research by suggesting which questions should be most interesting for which arrangement, what lessons from specific arrangements should be applicable where, and how comparisons across specific arrangements might create useful quasi-experiments for future research.

In order to begin this process, we draw on an important but underused literature spanning philosophy and the social sciences about what makes a good classification system. This helps us understand exactly why prior classification systems fall short of accomplishing these goals, the problems these shortcomings pose for research and theory development, and how a carefully constructed classification system can help overcome these problems.

Evaluating Classification Systems

While there is an ongoing debate as to the proper approach to take in constructing a classification systemⁱ, there is agreement on what makes for a good classification after the fact. Bird and Tobin (2010) offer a list of criteria asserted by different authors over time, several of which are violated by what are arguably the three most influential classifications developed to date, those that classify arrangements as (1) regular or contingent, (2) standard or nonstandard, and (3) internalized or externalized.

The first and most fundamental criterion is that there should be much more similarity within the categories than between them (Quine, 1969)ⁱⁱ. This occurs when the members of a category share more properties, allowing for induction within a category. This is central to establishing external validity, ensuring what we say about one member of a category is broadly true of the other members. Second, effective classification systems require well-defined boundaries, so the properties used to organize individual units into categories should represent clear distinctions from each other, as opposed to having a smooth transition between them. In fact, there is no need to create a classification system where differences are based on continuous properties because we already know how each individual unit corresponds to another. Taken together, these criteria also suggest that a good classification system should form a hierarchy where subcategories are nested within larger categoriesⁱⁱⁱ. Third, a good classification system must exhibit properties that cause it to persist. A general concern about any classification system is whether changes in the environment will soon render it obsolete. Categories exist and persist in nature through homeostatic properties, mechanisms that essentially enforce the categories by ensuring that deviations have a low chance of persisting (Boyd, 1999), essentially enforcing the system and allowing it to persist over time.

The most basic concern with all prior classification systems of alternative work is that the members within the created categories either never were or are no longer very similar to each other. Nor are they distinct from members in other categories. They also present attributes that are best seen as points on a continuum, such as job security, rather than discrete outcomes. A further concern is their lack of homeostatic properties, evident from the observation that in all three cases, changes in employment over time have blurred the differences between categories, eroding their usefulness in the context of modern workplaces. Each of these concerns represents a violation of an important criterion of successful classification systems, leading to problems for research and theory development. Moreover, these prior systems were not designed to inform research issues associated with management. We review them briefly below.

Contingent Work

The rise of agency-based temporary help in the late 1980s led to a descriptive term for such arrangements – contingent work (Freeman, 1996). This reasonably simple classification between *regular jobs* and *contingent work* was based on the notion that temporary jobs all shared the common property of being insecure and contingent on short-term business needs. Over time, the contingent work classification came to include agency temps, direct hire temps, independent contracting, part-time work, and in some accounts everything except regular, full-time employment (Belous, 1989; Blank, 1998). The lack of consensus as to what arrangements fall under the category of contingent work is a primary reason scholars have come to lament that “as a concept, contingent work lacks a clear definition” (Osnowitz, 2010: 10).

One problem with this classification is that job security is not a discrete variable. It exists along a continuum from secure to insecure, preventing us from making clear distinctions among arrangements in their degree of security (e.g., when does a job move from “secure” to

“insecure”?). Moreover, the workplace has evolved such that layoffs and associated restructurings have made many if not most regular jobs less certain and secure. At the same time, alternative arrangements in some contexts may be reasonably secure and long-term, especially leased employment. The primary property used to distinguish between regular and contingent work arrangements – insecurity – no longer provides a useful criterion to classify work.

Further, those arrangements that fall in the contingent category – contractors, temps, leased employees - do not necessarily have much in common with each other. Indeed, a recent review of the literature of the literature on contingent work arrangements led Connelly and Gallagher (2004: 979) to conclude that although it is often treated as such, “one compelling finding is that contingent work is not a unitary concept”.

Nonstandard Work

Arguably the most common classification of work arrangements is the distinction between *standard jobs*, representing full-time employment with long-term expectations, and *nonstandard jobs*, which include everything else. The problem here, as with contingent work, is that nonstandard jobs have little in common with each other, other than not being standard jobs. Here again, developments in the workplace may have outrun the classification system.

Kalleberg, Reskin, and Hudson (2000: 257) originally defined standard jobs as work performed on fixed schedule (usually full-time), at the firm’s place of business, under the firm’s control, and with the mutual expectation of continued employment. But regular employees now often work from home and with flexible schedules – indeed, often to meet their own needs – and expectations of continued work can be just as great for contractors as for regular employees.

Standard jobs have generally been equated with good jobs (e.g. Kalleberg et al., 2000). Yet the meaning of terms such as *standard* (Ashford et al., 2007) and *good* (Smith & Neuwirth,

2008) are surprisingly fluid, leading others to observe that it is probably no longer useful to attempt to categorize jobs with such a simple dichotomy (Osnowitz, 2010; Smith, 2001).

Nonstandard arrangements, like the various forms of IT contract work described by Barley and Kunda (2004), can be good jobs in the sense that they pay very well and give the individual real control over the terms and conditions of work as well as how it is performed; at least some part-time work is voluntary and chosen because it meets the work schedule needs of the individual workers (Kalleberg, 2000; Polivak, 1996); and some regular, full-time jobs are bad jobs, characterized by low pay, low security, bad conditions, etc.

Externalized Work

Pfeffer and Baron (1988) offered one of the first efforts to think carefully about alternative work arrangements, and their work continues to inform much of the current thinking on the subject (for example, see Ashford et al., 2007). They focused specifically on understanding the movement of work beyond the boundary of the firm, especially outsourcing, as opposed to understanding alternative work arrangements per se, although the framework has been used as such. They proposed that externalization exists on a continuum along three dimensions: 1) the location where the work is performed, 2) the expected duration of the employment, and 3) the source or location of the administrative control over the work.

As with contingent work and nonstandard work, the evolution of practice has eroded the usefulness of this taxonomy. Again, location may no longer reveal much when employees are working from home on a more or less permanent basis and vendors and contractors have offices at their client's location. Expectations about tenure are likely to be highly uncertain, and, as noted above, such expectations would be a continuum that does not allow clear distinctions. Their third criterion of control, however, is central to our classification as well.

Problems for Research and Theory Development.

These shortcomings have led to confusion in the existing literature and, as others have observed, have stunted our ability to develop, test and extend management theory (Ashford et al., 2007; Connelly & Gallagher, 2004). Research on alternative arrangements has primarily consisted of applying theories and constructs developed in the context of traditional employment relationships to alternative arrangements, often without careful consideration of whether their meaning and application should remain the same in different contexts (Ashford et al., 2007; Connelly & Gallagher, 2004: 977). Moreover, the work that does consider such contextual differences has had to rely on the overly broad distinctions provided by previous classification systems, distinctions which are no longer applicable to modern workplaces.

The inability of existing classification systems to distinguish among different types of alternative arrangements leads to three sets of problems. The first has to do with the external validity of studies of alternative work arrangements. As noted above, recent empirical work has tended to focus on a single alternative arrangement (Ashford et al., 2007). For example, Onslowitz (2010) details the experiences of independent contractors, Barley and Kunda (2004) focus primarily on contract workers affiliated with brokers, while Bauer and Truxillo (2000) examine workers in temp-to-perm arrangements. Lacking an understanding of how these (and other) alternative arrangements are theoretically similar and distinct from each other makes it difficult to evaluate the external validity of such studies. To what extent, for example, should we expect Onslowitz's (2010) findings about contractors to apply to direct-hire temporary workers or employees working under PEO arrangements?

In a similar vein, Connelly and Gallagher (2004) suggest that the lack of consistent findings in research on contingent work about outcomes such as commitment, job satisfaction,

organizational citizenship behavior, and knowledge sharing may be explained by the heterogeneity among arrangements lumped together under the umbrellas of contingent or nonstandard work. Moreover, given that existing frameworks tend to group all such alternative arrangements together, comparisons among alternative arrangements are few and far between, though ethnographic studies suggest that there are significant differences among such arrangements. Addressing similar concerns, Ashford and colleagues (2007: 99) call for researchers to be clearer about how their sample of workers in alternative arrangements differs theoretically from workers in other alternative arrangements, yet existing classification systems provide no guidance for identifying such differences.

Second, the inability to distinguish theoretically among alternative arrangements limits our ability to understand how organizations decide which arrangements to use and in which combinations (Huselid & Becker, 2011). Existing research has tended to focus on the use of alternative arrangements in general, primarily attributing the use of such arrangements to the desire for internal and external flexibility (e.g. Cappelli & Neumark, 2004; Kalleberg, 2000; Smith, 1997). However, the few studies which have asked organizations directly about their use of different alternative arrangements (Abraham, 1990; Houseman, 2001; Kalleberg, Reynolds, & Marsden, 2003) suggest that different rationales drive the use of each arrangement. Lepak and Snell (1999) provide the most general theoretical model for understanding when organizations will select among available employment strategies, though it too is more useful for determining when organizations will choose employment versus its alternatives, rather than how organizations decide among the alternatives themselves.

The third issue has to do with our ability to understand how managers handle the basic tasks of managing workers under different arrangements, especially when those arrangements

overlap in the same organization. Groups of individuals often work alongside each other while performing essentially the same tasks and yet have very different arrangements governing their work (see for examples, Bidwell, 2009; Broschak & Davis-Blake, 2006; Davis-Blake, Broschak, & George, 2003, Smith 2001). As Smith's (2001) study of workers from temp agencies working alongside employee in a high-tech firm revealed, this significantly complicates the jobs of managers, in part because even when policies are in place to differentiate between workers in different arrangements, such workers often end up being highly integrated (Barely & Kunda, 2004; Bidwell, 2009).

For example, while the majority of registered nurses (RN's) working in hospitals are full-time employees, roughly 20 percent work part-time, doing the same work only for fewer hours per week. Hospitals also use per diem nurses from agencies who work on a per-shift basis like temps. Travelling nurses, yet another arrangement, are more like "leased" employees, employed by agencies and provided to hospitals for engagements lasting as long as a year. The percentage of nurses providing care under these alternative arrangements has nearly tripled over the past decade and is expected to increase (KPMG, 2011). A non-trivial percentage of nurses also work as independent contractors, negotiating their own contracts and maintaining their own liability and indemnity insurance. Registered nurses working in smaller health care facilities are often employed through a Professional Employer Organization (PEO). It is common for nurses engaged through these different channels to work side-by-side and report to the same manager. And the overlap of nursing arrangements in hospitals and among nurses is not unique, as such situations are increasingly common in settings as diverse as over-the-road trucking companies (Belman, Monaco, & Brooks, 2005) and law firms (Sherer & Lee, 2002).

In addition to shaping the interactions between workers and managers, the context of the work arrangement is also likely to shape how workers interact and develop relationships with those under similar and different arrangements (Barley & Kunda, 2004; Lautsch, 2002; Osnowitz, 2010). The use of alternative arrangements thus alters the social context of work, which in turn plays a critical role in shaping the behaviors and experiences of workers (Grant & Parker, 2009: 322), as well as managers. Our inability to distinguish between employment and alternatives to employment, as well as among the alternatives themselves, prevents us from developing a comprehensive set of theories as to how such arrangements shape the social context of work and how workers are managed under those different arrangements.

The above discussion suggests a theory-driven classification system ensuring more similarity within categories than between them while also providing clear, discrete distinctions among categories should go a long way to addressing these shortcomings. And given that changes in employment over time have largely rendered prior systems obsolete, a classification system that is likely to persist over time despite changes in the environment is highly desirable. We develop such a system in the following section.

AN ALTERNATIVE CLASSIFICATION SYSTEM

The place to begin constructing any classification system is with the attributes of the individual members being mapped, with the key idea being that the members of each category share properties, and there will be much greater similarity of individuals within categories than across categories. Table 2 provides descriptions of the wide variety of arrangements currently used by organizations to engage employees in economic work. These are compiled from a widespread review of previous research (primarily in the fields management, economics, sociology, and legal studies), in addition to legal statutes, government reports, various industry

reports, and our own extensive experiences working, teaching and consulting with a large variety of organizations.

Insert Table 2 about here

For the purposes here, the shared properties should be those that inform concerns in the field of management. And for this reason, our approach to classification is based on the concept of control. In the context of economic work, control is generally defined as the ability of organizations and/or managers to obtain desired behavior from workers (Edwards, 1979: 17). Control is arguably the most fundamental issue in the workplace, with Scott and Davis (2006: 202) asserting that nearly all topics of interest to management scholars “relate more or less directly to the subject of control”. This is especially true in the context of work relationships, where a long line of literature predating even Marx ([1888] 1992) has explored who has the power to make decisions in the workplace (Bendix [1956] 2001). And the extent of control employers have over workers, the source of and constraints on that control, and how control (or lack thereof) affects managers and workers continues to be a subject of extensive theorizing in management and sociology (Kunda, 1992; Perlow, 1998, Marsden, 1999; Wright & McMahan, 1992). Moreover, control emerges as an important consideration within nearly every study and review of alternative work arrangements (e.g. Kalleberg, 2000). Yet there has been no systematic analysis of how control differs across the various arrangements for governing economic work, the mechanisms imposing such variation, nor how such variations may shape the attitudes, behaviors and outcomes for the individuals, managers and organizations engaged in arrangements characterized by variations in control.

Directive control. Control within formal organizations is, at least in part, structural (Brass, 2002; Davis & Scott, 2006). In the work context, structure emerges from the way work is organized (Goldberg, 1980). Edwards (1979) identifies three dimensions of control arising from the organization of work: direction, evaluation, and discipline. Directive control refers to the “mechanism by which the employer directs work tasks, specifying what needs to be done, in what order, with what degree of precision or accuracy, and in what period of time” (Edwards, 1979: 18). It is about control over the work process, which managers might describe as equivalent to supervision. An organization’s ability to decide and direct detailed work assignments has repeatedly been identified as the defining feature of the employment relationship (e.g. Marsden, 1999: 3).

The extent of directive control also appears to be the dimension that differs most across the various arrangements for organizing economic work. As we describe below, under certain arrangements the organization that engages the worker completely determines how the work gets done, in others the control over the work process is shared with a third party and thus limited to the extent necessary to conduct the organization’s business, and still in others, the worker retains complete control over how the work gets done. As we describe below, differences in the evaluation and disciplinary aspects of control follow in most all cases from the extent of directive control exerted by the organization.

Consistent with its importance in practice, control over the work process and who exercises it is also of central concern in the legal system. The legal framework for employment is surprising consistent across the world. A recent review of national employment laws in over 60 countries conducted by the International Labour Organization (2006: 3) concluded that

the employment relationship is a legal notion widely used in countries around the world to refer to the relationship between a person called an employee . . . and an employer for

whom the employee performs work under certain conditions in return for remuneration. It is through the employment relationship, however defined, that reciprocal rights and obligations are created between the employee and the employer.

Employment law virtually everywhere distinguishes employment relationships from nonemployment arrangements based on the extent to which the employer is able to control the work process (Befort, 2003; Stone, 2006). This distinction is clearest in developed economies such as those of the United States and European Union countries, where enforcement is most vigilant and the courts regularly settle employment disputes. New legislation and its enforcement and interpretation by the courts has led to further distinctions among different types of employment relationships, as well as distinguishing among the various alternatives to employment. As a result, while there is no single set of employment law in the US and other common law countries, consistent principles across legislation and case law exist that inform a robust classification system grounded in the concept of directive control.

Most importantly, the law makes two key distinctions that influence directive control. The first relates to the presence or absence of a third party. Economic work arrangements typically involve two parties, but new arrangements in the workplace sometimes involve three parties. The law treats these triangular arrangements differently than direct relationships, effectively constraining the organizations ability to exert directive control within certain third-party arrangements (Belous, 2003; Pfeffer & Baron, 1988). The second is the contractual nature of the work arrangement. Employment relationships are governed by employment law and involve an open-ended contract where few terms are specified in advance. Employers have tremendous latitude to direct virtually everything employees do in the workplace. In contrast, many of the new arrangements are not employment and instead rely on closed contracts. Because these contracts are governed by contract law, most if not all terms are negotiated in

advance, either fully proscribing directive control or limiting the scope of control over the work process (Muhl, 2002). The number of parties involved and the employment law vs. contractual law nature of the work arrangement help build the foundation of our classification system (Figure 1).

Employment

Within the context of an employment relationship, the law grants the organization a great deal of control over the work process. The employer may tell the employee not only what to do but how to do it^{iv}. In all other arrangements, the organization's ability to direct the work process is completely proscribed, limited to specifying the end product or final result of the work as part of a contractual agreement. The organization may dictate what to do, but the worker retains complete control over how to do it (Muhl, 2002). Control over the work process thus provides a bright line distinction between employment and all other arrangements. Our classification system therefore begins by distinguishing *Employment* from *Contract Work*, which we discuss in more detail below.

An employment relationship may involve a third party, such as an agency that employs a worker who then performs work for a client of the agency. In such arrangements, the organization shares control over the work process with the third party. The presence or absence of a third party thus creates subcategories within the broader category of employment – direct employment and co-employment. The distinctions within types of direct employment and within types of co-employment are more modest than the distinction between direct employment and co-employment, hence both the nested and hierarchical aspect of the system. We begin by discussing the subcategories of direct employment and then move to consider co-employment and its subcategories.

Direct employment. As noted above, direct employment creates a relationship where the employer has almost complete control over what work is done and how to do it. Employers retain the power to change standard operating procedures, daily tasks, or reconfigure the production process (Burawoy, 1979; Edwards, 1979). An employer can tell an electrician employee to stop doing electrical work and paint a fence. If they want, they can tell a computer programmer to write code in a manner that violates standard protocols.

In return for such a wide scope of directive control, employers must comply with an extensive array of legislation and regulations that govern other aspects of their relationship with the employee. The direct and administrative costs of these requirements are considerable. One estimate suggests that the paperwork costs alone of complying with the legal obligations of the employment relationship are more than \$1,700 per employee each year (Crain & Johnson, 2001). In part because the costs to both employer and employee of establishing and ending these relationships make them costly to break, there is also a presumption that most direct employment relationships will be relatively long-lived and are therefore characterized by open-ended contracts where few terms are negotiated *ex ante*.

The expectation of continued employment, which emerges in large part from the tradeoffs associated with the employer assuming directive control, provides employers with a great many tools to get employees to comply with their wishes that are unavailable in other arrangements. For example, they can screen applicants on a wide range of issues before hiring them as employees, including attributes such as intelligence and conscientiousness, as well as knowledge, skills, and ability^v. They are able to socialize new hires into the norms and values of the firm, transferring the culture of the organization and can train, develop, and observe individuals before putting them in charge of an establishment. They can also motivate and

manage employees with long-term rewards and promotion prospects. Performance appraisals, which in part are also forward-looking, are another practice unique to employment (see below). From the perspective of the organization, direct employment is the most responsive arrangement for managing work.

Nested within the category of direct employment are subcategories of relationships that have been treated as unique in most prior research. While they all share the properties mentioned above, they differ in part on the expectation of continuous employment and consistent terms and conditions of work. Part-time workers are in many ways like regular, full-time employees but they typically do not have career advancement prospects and tend to work in the same job throughout their tenure. Management practices associated with development and promotion rarely apply here, so we might expect their connection to the organization as well as their attitudes and behaviors to be different than for full-time employees (at least those that have advancement prospects).

On-call workers may have a reasonably long-term relationship with their employer but have less predictable schedules and overall may not work many days for the employer. We might expect them to have a different relationship than regular or even part-time employees. Hiring practices are less rigorous than for full-time or part-time employees doing similar work, but the jobs may be more specific and central to the operation than temp work, therefore requiring something of a continuing relationship. So we might see more training and more management than for temp jobs.

Substitute teachers are a prime example of on-call workers, as they are employed by school districts to replace full-time teachers on an as-needed basis for reasons such as personal illness, personal emergencies, attendance at workshops and the like. Substitute teachers are

rarely able to predict when they will be needed and are called upon with little advance notice; one Texas school district proudly announces, “approximately 50% of all [substitute teaching] assignments are scheduled with at least two days advance notice” (TISD 2012: 2). While school districts tend to have training and hiring programs in place for substitutes, they lack the consistency and sophistication of those in place for full-time teachers (Ostapczuk, 1994). Substitute teachers can have long-term relationships with a particular school district, though.

Direct-hire temps typically have short tenure with an employer and work in simple, standardized jobs with few expectations of a continuing relationship, such as call-center workers hired on a short-term basis to meet temporary increases in demand (Chambel & Castanheira, 2006). Seasonal jobs, such as retail clerks hired for the Christmas holidays, are perhaps the best known direct-hire temp role. For the most part, the employees arrive at the job with the skills they need to perform it. We see few management practices here except for direct supervision.

Co-employment. Co-employment adds a third party to the traditional employment relationship. In the most common arrangement, the worker is hired and employed by the third party, often a staffing agency, which in turn contracts with a client organization to provide the worker for a specific assignment. Agency temps and leased employees are the most common examples. The client negotiates the specific terms of the arrangement (start dates, end dates, termination clause, pay, etc.) with the agency, and these terms are used to establish a contractual relationship between the client and the agency.

The agency is the employer of record and assumes a series of legal obligations including responsibility for most regulatory requirements, such as payroll and employment taxes, in addition to managing the screening, hiring, wage setting and termination of employment (Bidwell & Fernandez-Mateo, 2008). In exchange for passing these largely administrative

obligations to the third-party, the client cedes some control over the work process, sharing directive control with the agency.

Though the third party reserves the right to direct workers, they seldom exercise this right once the worker has been assigned to the client (Belous, 2003; Pfeffer & Baron, 1988). Rather, the extent of directive control granted to the client is negotiated ex-ante, with directive control limited to that which is necessary to conduct the client's business, in other words, within the broad goals set out in the contract. This shared directive control is accompanied by a shared responsibility to provide workers with a variety of protections associated with the immediate workplace – health and safety, anti-discrimination, and fair treatment as interpreted by the courts. Workers can bring suit against both the agency and the client organization for violations of employment regulations.

The difference among the various arrangements in the co-employment hierarchy centers on the nature of the work assignments. Agency temporary workers are typically provided for short assignments where the work is reasonably standardized (e.g. clerical positions) or highly skilled (e.g. computer programmers), and the temps come in with the skills needed to do the job. Leased employees are engaged in longer-term projects, some many years, and are more likely to work on projects that are unique to the client and central to its business. For example, Barley and Kunda (2004: 69-71) chronicle how computer program developers are often engaged by firms, through agencies, to work on large scale projects lasting long periods of time, such as designing and implementing entire information systems or providing technical support for critical applications on an continuing basis.

PEO arrangements transfer the employment relationship for one's current workforce to a third party agency. These relationships are designed to be long-term, indeed, permanent. Small

businesses are both the most frequent and most satisfied users of PEO arrangements (Klaas et al. 2005). The workers stay put, typically doing the same tasks with similar terms and conditions of employment, and their previous supervisors continue to direct their work. But PEOs are not simply in the background. They set and communicate all employment practices to the employees, including the terms and conditions of work, and handle most human resource issues.

Contract Work Arrangements

As noted above, the law provides and enforces a bright line distinction between employment, including all its subcategories, and all other arrangements. Under contract work arrangements, the client for which the work is being performed is prohibited from directing the work process; it cannot exercise directive control. Rather, it is limited to specifying the work outcome as part of a contractual agreement. As a result, the terms of the contract must be negotiated *ex ante*. The contracts specify the work to be completed, when the work arrangement will end, and what the rewards and incentives for the worker will be (Benner 2002). Such agreements are enforced by the courts (Marsden, 2004: 668) and – with few exceptions – are governed by contract law rather than employment law. With employment relationships, in contrast, the courts will not interfere with the day-to-day supervisory decisions of an employer and their performance evaluations. Organizations need to be cautious to avoid exerting directive control over contract workers because doing so risks turning the contractor into an employee in terms of legal status and requirements. As a result, instead of management and supervision practices driving employee attitudes and behavior, we have the terms and conditions of the contracts driving contractor behavior. Instead of performance appraisal systems to handle performance evaluation and discipline issues, we have contracts and the courts to adjudicate them (Muhl, 2002; *Vizcaino v. Microsoft Corp.*, 1977).

Just as in the broad category of employment, the presence or absence of a third party creates subcategories within the broader category of contract work: direct contracting and subcontracting.

Direct contracting. Direct contracting involves a direct relationship between a worker and the organization for which they perform the work. A contract, usually in the form of a “statement of work”, is negotiated and agreed upon, and this document governs the relationship for its duration. Independent contractors typically negotiate the terms of the contract directly with the client. On the spot negotiating occurs in some contexts, perhaps best illustrated with day laborers. The defining feature of direct contracting is that the worker retains full control over the work process^{vi}.

Independent contractors work in a variety of industries but tend to be members of well-defined occupations (Barley & Kunda, 2006; Osnowitz, 2010). Osnowitz (2010), for example, studied freelance writers and editors as well as computer programmers and engineers. O’Mahony and Bechky (2006) observe a high incidence of independent contracting among film production workers. Even day laborers tend to be hired for occupationally-oriented jobs in the construction and light-industrial industries (Valenzuela, 2003). Perhaps the reason why contracting focuses on clear occupations is that all parties have a common understanding of performance standards for many aspects of those work process, reducing the need to specify them in contracts.

Subcontracting. The second subcategory of contract work – subcontracting – introduces a clear third party. Here, the client organization contracts with a vendor to provide a service. The individuals who perform the work are either employed by or are engaged as independent contractors by the vendor, who then directs the work. A key element of contracts in the realm of subcontracting is the legal notion of a “work product” or the nature of the service or output being

produced by the vendor. How that work product is produced is up to the vendor. The client organization exerts no control over the work process. For example, a contract might specify the menu that a food provider offers in the client's cafeteria but not all the details of how that food will be prepared.

Subcontracting relationships generally take one of two forms, depending on where the work is performed. In vendor-on-premises arrangements, the vendor provides the service at the client's place of business, with examples including Xerox running an on-site copy center and Aramark managing a corporate dining hall. The higher end of the skill spectrum might include auditing and other accounting work, where employees of accounting firms work at the client's location to produce analyses for the client. The lower end of the skill spectrum might include providing janitorial and landscaping services.

The reason these arrangements count as alternative work rather than simply a supplier relationship is because the employees of the vendor work directly with and on behalf of the client. In many cases, the employees of the vendor and the client work side-by-side. Responsibilities are often unclear in such contexts and negotiated on the spot, as Rubery and colleagues (2003) repeatedly observe in their study of overlapping work arrangements in a large airport. In contrast, when the vendor's work is offsite and its employees do not come in contact with the client's employees, the arrangement is really a sourcing arrangement – buying components from a supplier rather than making them internally – and not an alternative work arrangement.

Homeostatic Properties

As noted above, a central concern about any classification system is whether changes in the environment will render it obsolete. A key shortcoming of previous classifications of

economic work is that over time, environmental pressures eroded the boundaries between categories and otherwise altered the set of properties associated with those categories they created, reducing their usefulness. The responsibilities and restrictions imposed by the law, outlined in Figure 2, form the homeostatic properties which help ensure that the fundamental categories in our classification system will persist.

Insert Figure 2 about here

The law is primarily concerned with which party assumes the administrative requirements associated with economic work and which party is responsible for protecting workers from a variety of potential abuses (Coens & Storres 2006). In terms of administrative requirements, the law identifies the party responsible for paying a variety of employment taxes and retirement benefits. In terms of worker protections, the law identifies the party (or parties) who assume liability for injuries or disabilities sustained during the course of work, discrimination, and for the payment of minimum wages and overtime. These rights and responsibilities have assumed greater importance though the evolution of case law, further reinforcing the distinctions among the major categories of economic work in our classification system.

These properties can be viewed as homeostatic because historical accounts of employment law looking back as far as the Roman Empire (Hicks, 1969) reveal that major changes to employment law occur slowly over considerable periods of time and only after extensive political and legal contests (Fienman 1976; Gonos 1997: 89). Changes become even more difficult as case law builds over time. As a result, once in place, the law, and through it the enforcement mechanisms associated with the court system, enforce the boundaries of the

classification system we outline above. It rules out arrangements that exist outside the boundaries of these legal categories. Put differently, these properties permit the development of alternatives within some subcategories but not others, as revealed through the prevalence of blank cells in Figure 2. As Gleason (2006: 8) notes, “each type of nonstandard employment exists in its current form because there is either a relative absence of a regulatory environment or a regulatory environment that frames its use”. While we would not be surprised to see new arrangements emerge, these new arrangements will emerge within the categories identified by our classification system.

RESEARCH IMPLICATIONS

As noted earlier, a good classification system should reveal what is important about the members of the various categories created and therefore help suggest both important research questions and how to address them. What should researchers do differently based on the classification system we outline above? First, the categories of alternative arrangements we identify differ quite a bit from each other. When they are lumped together, as they have been in previous classification systems, the heterogeneity makes it almost impossible to find consistent relationships (Connelly & Gallagher, 2004).

For example, studies of agency temps probably have little relevance to direct-hire temps, despite the common name. Our classification system explains why: the level of directive control and who exercises it, the contractual nature of the work relationship and the number of parties involved are different in the two cases. The former is really a co-employment relationship where two parties share directive control around a closed contract while the latter is a direct employment arrangement where the employer has full directive control in an open-ended contract between two parties. On the other hand, studies of independent contractors and the way

they are managed by the organization for which they are performing the work may have a great deal to say about subcontracting arrangements, despite the fact that the names are quite different. The reason is because in both cases the client has no directive control and the arrangements are governed by contracts.

Applying Theories and Constructs Developed in the Context of Traditional Employment

A place for research to start, therefore, is with some purely descriptive questions based on the above classification system. It is important to know how each of the alternative arrangements handles the basic tasks of managing workers. The problem is that the standard model that we have for understanding the management of workers is based on regular, full-time, direct employment, and that model does not apply well to workers in alternative arrangements (e.g., Gallagher & McLean Parks, 2001).

To see how the traditional model fails to work in these contexts, consider the first step in the typical employee management model, the basic topic of recruitment and selection. It applies only to direct employment, and even there we see limitations to its usefulness where alternative arrangements are involved. For example, employees who are hired into regular jobs after having temp assignments structured by agencies are not recruited in any sense: the temp agency decides which worker will take which assignment. Nor are they selected in any sophisticated sense of the term: local hiring managers presumably rely on outcomes associated with actual work experience – not a work sample – to determine who to hire.

For arrangements other than direct employment, related questions arise, and they are not identical to traditional hiring issues. For example, how do agencies decide what workers to place in which assignments? Do they try to make matches based on fit between individual values and client organizational culture? These are unlike employment matches because they are only one-

sided; unlike a candidate for employment, an agency temp or leased employee does not always get a say as to which assignment they take. Do brokers who make matches between clients and contractors try something similar? With direct contracting, do clients and contractors choose each other differently than do employers and employees?

Issues associated with performance management for employees are almost unrecognizable in the context of contractual arrangements. In the latter, appraisals and performance complaints can flow not just from the client to the contractor but from the contractor to the client. The manifestation of such complaints is contract violations. We might think of such complaints as the equivalent of grievances in union contracts, a formal charge that one party or the other violated the contract. Unlike in employment where the employer adjudicates performance complaints unilaterally, in a contractual context, any solutions have to be bilateral or they end up in court.

Some traditional employment topics have no obvious equivalent in contractual arrangements. Employee turnover, for example, does not apply to contracting arrangements. In the context of co-employment, its meaning changes considerably (e.g., it is possible to quit an assignment and not quit the agency). It has been difficult to think about how to approach these questions, in part, because we lacked a framework for clearly distinguishing between employment and its alternatives as well as among the alternatives themselves.

Identifying New and Interesting Research Topics

The classification system also suggests a number of new issues worthy of study. We know relatively little about the actual behaviors of workers in arrangements other than direct employment (Ashford et al., 2007: 103). Given that directive control is about obtaining desired behavior from workers (Edwards, 1979) we would be surprised if worker behaviors did not differ

across categories. Some suggestive evidence for behavioral differences can be found in Osnowitz's (2010) study of independent contractors. Because their contract with the client only specifies the work outcome and not the work process, independent contractors are more likely to actively seek feedback and solicit buy-in from client managers because the client is otherwise not directly engaged in the work process. Free from directive control, they are also more likely to exercise voice than direct employees.

The issue of organizational identification (Dutton, Dukerich & Harquail, 1994; Mael & Ashforth, 1995) is of special of interest in triangular arrangements. How workers see themselves and which organizations they identify with when they are employed by one but working on behalf of another is an important and unexamined question. The relative status of the two organizations may well drive the outcome. For example, we know that the status of employing agencies affects the supply of screenwriters (Bielby & Bielby 1999), but what happens when the status of the agency and the status of the client are different? When an accountant from a lower-status firm works for a higher-status client, does the worker come to identify more with the client than otherwise? The same questions arise in the context of subcontracting arrangements. More generally, it would be interesting to know the relative influence of clients versus employers in these contexts on workplace attitudes like job satisfaction and subsequent careers.

Indeed, the biggest deviations from traditional research topics associated with employment appear to come with these triangular arrangements. Consider, for example, the basic issue of assessing job performance: In co-employment, is good performance defined as that which helps the client or that which helps the agency who employs the worker? In many cases they may conflict. Helping out the client in ways that go beyond the contract at a minimum represents an opportunity cost for the agency who under normal circumstances would expect to

be paid for such deviations. The notion of organizational citizenship no longer makes clear sense in such contexts: Does being a good citizen imply helping a client answer emergency calls, in the process depriving the agency of additional hours of pay? Or does it mean billing the client for every little extra one does for them, looking out for the agency's interests?

More generally, triangular relationships are more complicated, as workers, agencies or vendors, and organizations assume obligations to multiple parties (Marsden, 2004; McLean Parts et al., 1998). Issues of dual allegiance, first explored in the context of unionized work places where employees had ties both to their employer and to their unions, reemerge in non-union settings and have been recast as dual commitment issues in the context of triangular employment relationships (Linden et al., 2003). Earlier studies found that the two relationships often pulled individuals in different directions (Angle & Perry, 1986; Purcell, 1954), demonstrating the need to consider the tradeoffs and competing demands imposed on workers in triangular relationships, something that has received considerably less attention. Identifying which aspects of these various relationships are more or less likely to be important depending on the outcome of interest is especially critical.

How workers manage the demands of these possibly competing relationships is worth considering. Bidwell and Fernandez-Mateo (2010) have shown that the length of relationships affects the economic returns to each party in co-employment arrangements, though it remains to be seen how these multiple relationships and attributes of the parties influence other worker attitudes and behaviors. Prior research suggests that technical workers in independent contracting arrangements may have allegiance to projects independent from allegiance to clients or to the agents that may have arranged for their work (Barley & Kunda, 2004; O'Mahony & Bechky, 2006), suggesting another competing demand that has to be managed.

Managing Workers

Perhaps the most interesting questions that still need be asked concern the interplay of the different arrangements, when contractors, leased employees, vendor's employees, and regular employees all come together in a client organization. Grant and Parker (2009) note that relationships between workers have become more important as a result of the greater use of teams and empowerment practices that give workers the ability to solve problems on their own. This creates some of the pressure to interact. As Smith (2001) finds, the mixing of temp and regular employees is almost inevitable, and such situations raise real challenges for managers, who have a great deal of influence over how they play out. Here the classification system suggests conflicts for managers will be the greatest when the organization blends employment arrangements and contract arrangements. Managers are able to control the work process of both direct and co-employees, while contract workers will be less susceptible to guidance or pressure from the client managers. Managers face constraints in their ability to direct the work of co-employees, limiting their flexibility. This suggests that considerations of employment flexibility at the organizational level, where alternative arrangements are introduced, differ from employment flexibility at the managerial level (Smith 2001), a topic that has been largely overlooked despite the fact that it is increasingly common for managers to supervise individuals working side-by-side under different arrangements (Bidwell, 2009).

External Validity and Quasi-Experiments

The structure of our classification system also help to informs the external validity of existing studies, based on which arrangements are the most similar to each other. For example, studies of agency temps may be quite relevant to understanding PEO's, despite the different

names, because they share co-employment aspects that lie underneath the basic employment model.

A final and potentially most promising use for our classification system is identifying quasi-experiments that become possible when making comparisons across different categories of arrangements. Some of these quasi-experiments might involve looking across categories. For example, we would expect the influence of managers to grow when moving from subcontracting, where even contract management is indirect, to direct contracting, where performance/contract management are negotiated directly with the worker, to co-employment, where directive control is limited to execution issues, to direct employment, where directive control is unlimited. Comparisons across these categories suggest how the degree of management influence and control affects worker outcomes. The same comparisons could be used to separate the effects of co-worker influence, which exist in each arrangement, from the effects of supervisors just described. As another example, workers in PEO and agency temp arrangements both have three-way relationships, but the ties to the former are much weaker than to the latter (PEO's mainly handle personnel issues while agencies also make work assignments, do training, and manage performance). We should expect greater evidence of dual allegiance in the latter.

One of the more robust and useful quasi-experiments comes when individuals move up the hierarchy of arrangements in the same organization, e.g., from direct hire temp to on-call worker to part-time to full-time employee. This would allow fixed effect studies that could show in a powerful way the consequences for employee attitudes and behavior of moving toward greater attachment to the employer while controlling for other factors.

Similarly, moving to the right across the direct employment – co-employment – direct contracting – subcontracting categories moves toward more permeable firm boundaries where

more of the human capital competencies are coming from outside. It would be important for strategy and organizational theory researchers to see what else changes about organizations when the organization of economic work moves in that direction. Baron, Hannan, and Burton (2001) show how the choice of attributes related to the governance of work affect outcomes such as organizational culture and values. For firms, an important attribute likely to be impacted is the formation and sustainability of competitive strategies (Matusik & Hill, 1998).

How Organizations Choose Among Arrangements

Perhaps the most obvious of the macro questions this classification system helps to address is how organizations decide which arrangements to use and in which combinations (Huselid & Becker, 2011; Lepak & Snell, 1999). As Baron (2004) notes, relationships governing work are arguably the most fundamental to an organization's identity. Each arrangement comes with its own costs and benefits. The real choice for organizations is how to balance the costs and benefits of these different approaches to best fit them to their context (Lepak & Snell (2002).

The boundary of the firm literature on contracting versus internalized arrangements associated with transaction costs (Williamson, 1985) is an obvious place to start examining this question, as there are clearly contexts where the directive control associated with employment is more valuable (e.g., Sherer, Rogovsky, & Wright, 1998) and other contexts where contracting makes more sense. While others have highlighted the importance of taking into account the contractual nature of the work relationship (Benner, 2002; Lepak & Snell, 1999), our classification system draws attention to the heterogeneity across different arrangements involving contracts. The relative value of having a second management party and the extent of directive control no doubt factor into the choice as well.

CONCLUSION

In the arguments above, we assert that alternatives to regular, full-time employment are now so prominent that all research based on the workplace needs to consider them. Traditional workplace research topics and explanations rely on the full-time employment model as their basis, and there are good reasons for thinking that these topics and especially these explanations do not apply to alternative arrangements. In order to understand and study these arrangements, it is necessary to have a classification system that can identify what is important about each arrangement and how it differs from other arrangements.

Our systematic approach to developing a classification system clearly distinguishes between employment and its alternatives as well as among the alternatives themselves by grouping work arrangements into categories that share common properties and that are distinct from each other in ways that matter for practice and for research. These properties center on control over the work process and include the contractual nature and the number of parties involved in the work relationship. Our classification system is both informed by and reflects the legal distinctions among these categories. The legal arrangements have common elements across countries and create homeostatic properties which enforce the categories and reduce the risk that our classification system will be outrun by changes in the workplace.

A significant proportion of the workplace already operates under these alternative arrangements for economic work, and as the use of these arrangements expands, they will surely become a more central part of management. Given the size and impact of these arrangements, they are surely under-studied at present, a conclusion consistent with assessments that the work context per se has been under-studied (Cappelli & Sherer, 1991; Humphrey et al., 2007). As a result, it is essential that researchers understand them. To that end, the classification system

developed here should facilitate progress in understanding the implications of alternative work arrangements for organizations, managers and workers.

FOOTNOTES

ⁱThe central debate in creating such systems is between realism, a perspective which argues that classifications should and can be based on differences that occur in reality or nature, and conventionalism, a perspective that asserts that classifications in practice are determined by the interests of those doing the classifying, the equivalent to social construction arguments in the social sciences. These positions are not absolute, however, and especially within the conventionalist position, there are gradations of views. Perhaps the most mainstream view is that of causal dependence (Kurkla, 2000), that while our classification systems may be based on reality, the choices that we make when we create categories and assign individual cases to them creates an order that is not necessarily objective. Dupre (1993) advanced the idea that there may be many systems of classification for the same phenomena depending on what one's interests are, a situation he refers to as promiscuous dependence. In biology, for example, we classify animals based on their evolutionary roots (phylogenetic systems) or on their attributes (e.g., mammals vs. fish) as with the Linnaean system.

ⁱⁱ Organizing items based on color, for example, would be consistent with this criterion. This criterion, though, is only a necessary and not a sufficient condition for a good classification system (Bird & Tobin, 2010). A grouping of otherwise unrelated items by color, for example, would not tell us much that is useful about the members of that group because those members could differ on so many other properties.

ⁱⁱⁱ For example, all rational numbers can be expressed as a fraction of two integers, and integers and non-integers are distinct subcategories of rational numbers. Both share the property of being expressible as the fraction of two integers, but they are distinct in that the sense that integers can be written without a fractional or decimal component while non-integers must be expressed using a fractional or decimal component.

^{iv} The key point we make here is that organizations are *able* to exert full directive control. To what extent and under what conditions they actually exert full control is a different question that we leave to others (i.e. Simon 1947, 1951; Coase, 1939; Marsden, 1999).

^v A client could try a similar approach before engaging contractors, but they run the risk of turning the contractual relationship into an employment relationship the more they apply traditional employment practices to the role.

^{vi} An interesting twist on the independent contracting relationship are relationships where agents represent workers, as in high-end entertainment, where workers pay the agents to find opportunities for them and negotiate the terms of the assignments on their behalf (Bielby & Bielby, 1999). While these relationships do involve a third-party in the search and negotiation of the assignments, the agent is typically acting as a broker and not involved in the ongoing relationship. Therefore these arrangements are best classified as a direct relationship between the worker and client organization. (In team-based professional sports, the workers are actual employees of their teams. But they also have employment contracts that delimit most of their working arrangement with the team. In that sense, it might be better to think of them as contractors rather than as employees.) Executive search may represent something like the reverse arrangement, where clients pay agents to find employees for them.

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Table 1: Use of Alternative Work Arrangements by Organizations^a

<u>Variable</u>	<u>N</u>	<u>Mean</u>
Part-time employees	2943	6.67%
Direct hire temporary workers	2944	2.77%
Agency temporary workers	2949	2.14% (8.75% in peak week of year)
Independent contractors	2793	1.49%
PEO workers	2851	0.87%
On-site vendor workers	2818	0.86%
<i>Average week total</i>	<i>2911</i>	<i>14.20%</i>
<i>Peak week total</i>	<i>2793</i>	<i>20.81%</i>

^a Source: Authors' calculations from the 2000/2001 National Employer Survey

Table 2: Work Arrangements Available to Organizations

Full-time employees	<ul style="list-style-type: none"> • Work for the organization that both employs them and uses their services. • Organization controls both the work process and work outcome. • Organization is responsible for most regulatory requirements, including payroll and employment taxes, in addition to managing the screening, hiring, wage setting and termination.
Part-time employees	<ul style="list-style-type: none"> • Work for the organization that both employs them and uses their services. • Organization controls both the work process and work outcome. • Organization is responsible for most regulatory requirements, including payroll and employment taxes, in addition to managing the screening, hiring, wage setting and termination. • Distinction between full and part-time is based on the number of hours worked, with part-time workers generally working less than 35 hours per week. Benefits are typically less, as are career prospects. • Typically stay in the same job, often the same job as full-time employees
On-call employees	<ul style="list-style-type: none"> • Work for the organization that both employs them and uses their services. • Organization controls both the work process and work outcome. • Organization is responsible for most regulatory requirements, including payroll and employment taxes, in addition to managing the screening, hiring, wage setting and termination. • Do not have a regular schedule for work; typically called into work only when needed, although they can be scheduled to work for several days or weeks in a row • Required to be available during certain on-call periods. Not treated as a “regular” employee.
Direct hire temporary employees	<ul style="list-style-type: none"> • Work for the organization that both employs them and uses their services. • Organization controls both the work process and work outcome. • Organization is responsible for most regulatory requirements, including payroll and employment taxes, in addition to managing the screening, hiring, wage setting and termination. • Perform work as a short-term supplement to a firm’s workforce (includes seasonal workers). • No expectation of continuing relationship.
Professional Employee Organizations (PEO)	<ul style="list-style-type: none"> • PEOs are administrative organizations which engage in a contractual relationship with their client organizations. • PEOs do not provide labor to worksites, rather an organization transfers their current workforce to the employ of a third party agency: the workers stay put, typically doing the same tasks with similar terms and conditions of employment, but legal responsibility for the employees is transferred to the PEO. • PEO maintains an employment relationship with their employee that is intended to be long-term and not temporary. • PEO shares/allocates employer responsibilities in a manner consistent with maintaining client responsibility for its product or service. • PEOs typically provide benefit plans for the workers and provide human resources services to the worksite employer.
Leased employees	<ul style="list-style-type: none"> • Employed by a staffing firm or agency. • Longer engagements than agency workers, typically work alongside employees in skilled roles. • Client controls the work outcome, while the leasing firm reserves the right of direction and control over the workers. • Client’s direction and control over the work process is limited to the extent necessary to conduct the client’s business. In general, workers must follow the work rules and regulations stipulated by the client in contracts for which services are being provided. • Return to the leasing firm for reassignment after completion of their work with the client. • Agency is responsible for most regulatory requirements, including payroll and employment taxes, in additional to managing the screening, hiring, wage setting and termination.

Table 2 continued: Work Arrangements Available to Organizations

Agency temporary workers	<ul style="list-style-type: none"> • Employed by a temporary agency. • Agency provides the worker to client organizations for what are usually short-term assignments. • Client controls the work outcome, while the agency reserves the right of direction and control over the workers. • Client’s direction and control over the work process is limited to the extent necessary to conduct the client’s business. • Work is typically performed at the client’s location. • Workers return to the agency for reassignment after completion of their work with the client. • Agency is responsible for most regulatory requirements, including payroll and employment taxes, in addition to managing the screening, hiring, wage setting and termination.
Independent contractors	<ul style="list-style-type: none"> • Work for themselves, are not employees. • Contract directly with clients. • Work outcome specified by client in the contract, but work process is controlled by the worker. • Typically hired on a project-basis, though the scope & length of projects may vary considerably • May work for multiple clients simultaneously and for various lengths of time. • Independent contractors are responsible for paying their own taxes and securing benefits.
Day laborers	<ul style="list-style-type: none"> • Day laborers are technically contractors hired on a one-job basis, typically lasting between 1 and 3 days, though they can be hired repeatedly by the same organization. • Pay and tasks often negotiated after the worker is selected, with informal negotiation sometimes continuing at the job site depending on circumstances. • Absence of formal contracts. • Payment is often in cash, evading taxes.
Vendor-on-premises	<ul style="list-style-type: none"> • An organization contracts with a vendor to perform work. • Individuals who perform the work are either employed by or are engaged as independent contractors by the vendor. • The work process is directed by the vendor. • A key element of such contracts is the notion of a “work product”. The vendor is contracted to provide a service, but how they provide the service is up to the vendor. • Vendor is responsible for most regulatory requirements, including payroll and employment taxes, in addition to managing the screening, hiring, wage setting and termination. • Relevant context is where work is performed at client’s location while engaging with client’s employees and management.

Figure 1: Classification of Economic Work Arrangements

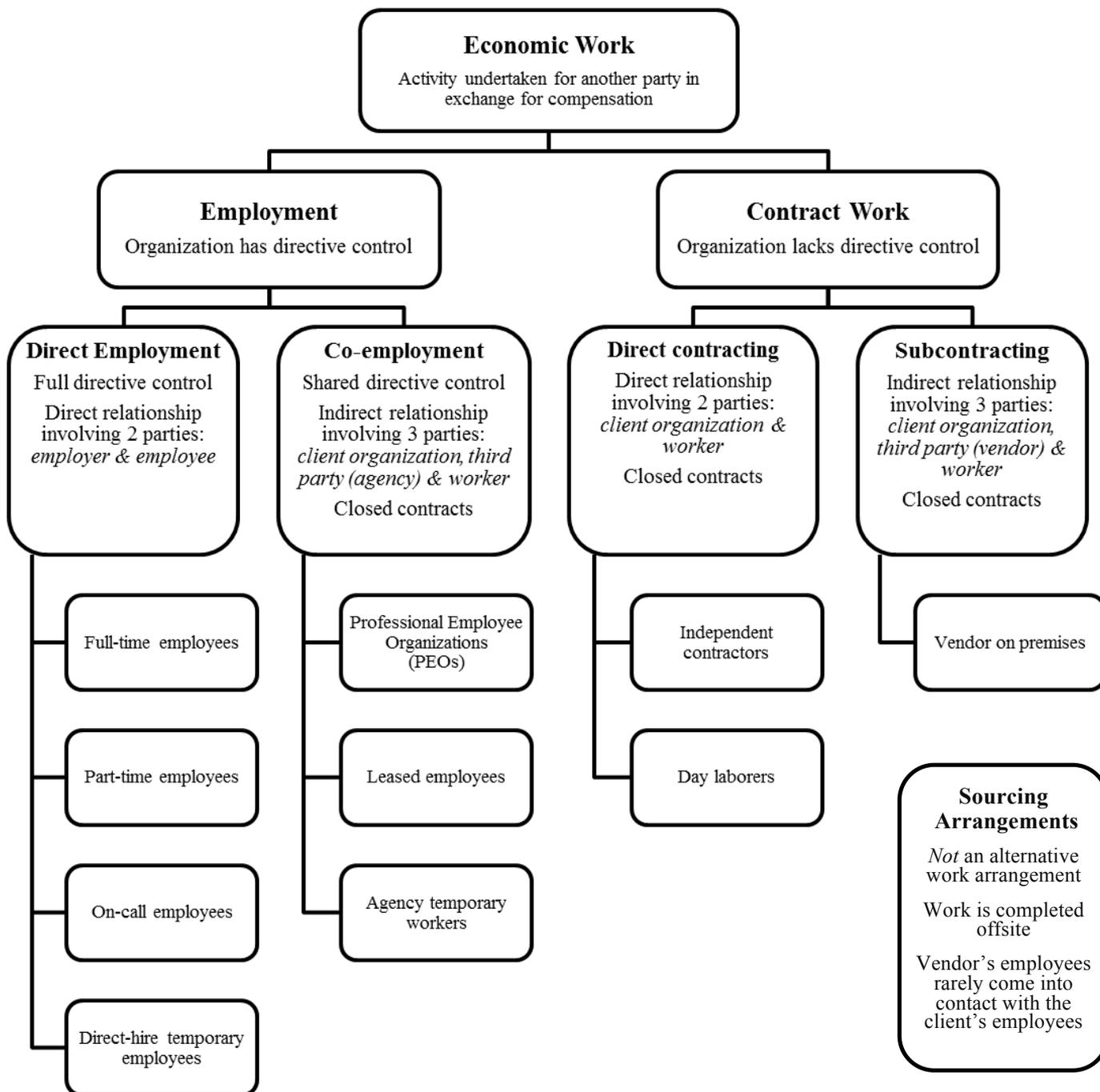


Figure 2: Homeostatic Properties of Employment Law

		Responsibility for Worker Protections		
		Organization	3rd Party	Individual Worker
Administrative Requirements	Organization	Direct Employment		
	3rd Party		Subcontracting	
	Shared: Organization & 3rd Party		Co-employment	
	Individual Worker			Direct Contracting

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