

A Study on the Relationships among Increased Workforce Flexibility related to Reduce Cost Based on the Dispatched workforce Aspect

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ABSTRSCT

Depth interviews applied to the dispatched workforce system of H Company were used in this research based on the research method of Case Study. The research aimed at exploring the practical benefits of increased workforce flexibility related to reduce cost by the application of dispatched workforce. According to the analysis of the case interview, recommendations are provided for the client company, dispatching agency, and dispatched personnel. Based on the analysis, some of the findings are summarized as follows:

1. The application of workforce flexibility can certainly reduce personnel cost.
2. The application of functional flexibility of dispatched personnel is better than the others and can reduce cost.
3. Employing dispatched personnel can reduce the cost of material, expense and time of education and training.

Depend on research results above, three recommendations are provided for the related enterprises as reference.

Keywords: Dispatched Workforce, Workforce Flexibility, Reduce Cost

I . INTRODUCTION

Enterprises shall plan highly flexible human resource framework with lowest cost for enhancing simplification of organization and the maximum of efficiency. Constant reduce production cost and curtailing personnel expense can help enterprises decrease the pressure of operation in order to fight against competitiveness in this new era. Recently, the demand of dispatched workforce for enterprises increases significantly. Those dispatched personnel whether can strengthen workforce flexibility or reduce cost in order to meet the requirement of client company is worth to find out.

Depth interviews of the qualitative approach were used in this study. Specialists and supervisors of H Company in Kaohsiung were interviewed individually and observation method was applied to the dispatched personnel in order to explore the influence or dedication of dispatched personnel to the client company.

Objective

The main operation issue for H Company is how to choose the required personnel for interior organization and reduce cost in order to sustain the effective manpower. However, it's hard to tell whether the application of direct dispatched workforce can really meet H Company's requirement or not. Most literature illustrates that dispatched personnel can help the client company reduce cost, the facts shall be questioned? Do management and first line manager have different opinion to the issue? The relationship of application of organizational manpower flexibility, reduce cost, education and training and dispatched workforce is shown as Figure 1.

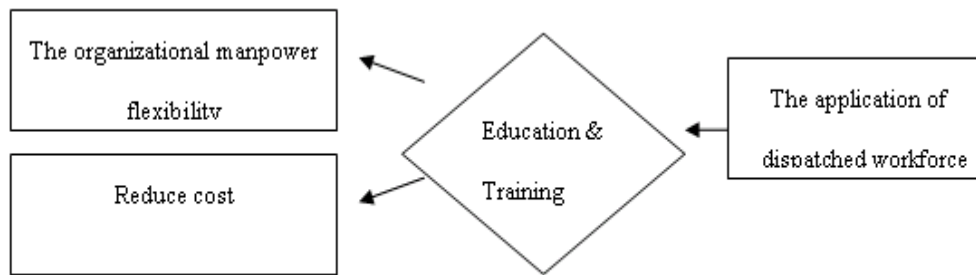


Fig. 1: Relationship of organizational manpower flexibility and dispatched workforce

II. METHODOLOGY

A. Research Hypotheses

This study was guided by the following research hypotheses:

Hypotheses 1: Employing dispatched personnel can assure organizational manpower flexibility.

Hypotheses 2: Employing dispatched personnel can reduce personnel cost of the organization.

Hypotheses 3: After the education and training, organizational manpower Flexibility can be enhanced, cost can be reduced and dispatched personnel can be familiar with the basic work process in order to reach the goal of the organization.

H Company recruits direct labor of production line by five ways which are irregular contract personnel, regular contract personnel, students for cooperative education, project foreign labor, and dispatched personnel. The analysis of the source of recruiting direct labor of production line, job management, and manpower flexibility in H Company is shown in Table 1. Employment model of manpower adjustment flexibility and employee management in Table 1 shows that dispatched personnel have highest flexibility.

Tab. 1: Employment model of manpower adjustment flexibility and employee management analysis

| Employment identification | Way of recruiting | Employment relationship and manpower adjustment flexibility |
|------------------------------------|---|--|
| Irregular contract personnel | Company recruits from outside | <ol style="list-style-type: none"> 1. Indefinite employment relationship and fixed shifts. 2. Manpower adjustment flexibility is low due to labor standards law. |
| Students for cooperative education | Company cooperates with school | <ol style="list-style-type: none"> 1. Company needs to pay cooperative education tuition and fees for students. 2. Students work on morning and night shift and need to sign up contract which lasts 1-3 years. 3. Manpower adjustment flexibility is acceptable. |
| Project foreign labor | Company cooperates with human resource agency | <ol style="list-style-type: none"> 1. Company needs to update contract once two year and can extend one more year. 2. Company needs to offer air ticket fees and security fund and has language barrier. 3. Manpower adjustment flexibility is acceptable. |
| Regular contract personnel | Company recruits from outside | <ol style="list-style-type: none"> 1. There are three-month, six-month and one-year contract. 2. When the contract is expired, it shall transform to irregular or terminated contract due to labor standards law. 3. Manpower adjustment flexibility is acceptable. |
| Dispatched personnel | Dispatching agency recruits personnel | <ol style="list-style-type: none"> 1. Contract lasts for one month and is discontinuous. 2. When the contract is expired, it is not restricted to labor standards law. 3. Manpower adjustment flexibility is very high. |

B. Direct dispatched workforce

Dispatched workforce means that dispatching agency and client company sign up contract, and dispatched personnel need to work for client company and return back to dispatching agency after accomplishing assigned mission (Willy, 1998; Qiu, 1996 ; Cheng, 1998). Therefore, dispatched personnel employed by the client company is a temporary and non-traditional employment relationship (Wang, Huang and Chen, 2007).

Dispatched workforce is a non-traditional employment relationship. Dispatching agency recruits, selects and trains dispatched personnel and sign up employment contract with client company. Dispatched personnel offer labor service to client company and obey its orders and supervision; however, dispatching agency pays wages and offers welfare to dispatched workers (Tsai, 2004).

Direct dispatched workforce means that dispatching agency and dispatched personnel sign up employment contract as the relationship of employer and employee. Dispatching agency assigns dispatched personnel to the client company and asks dispatched personnel to accomplish missions or jobs under client company's supervision. Relationship of direct dispatched workforce for three sides is shown as figure 2.

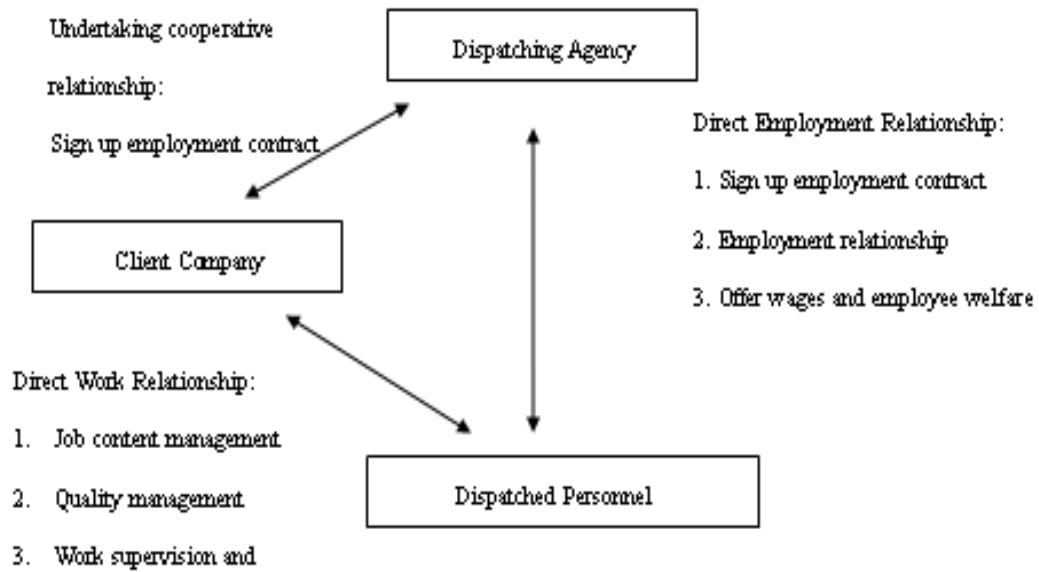


Fig. 2: Relationship of direct dispatched workforce for three sides

C. Dispatching Agency

The National Association of Temporary & Staffing Services defines dispatching agency as temporary service organization which assigns recruited personnel to client company needed workforce and help fill in the job vacancy for the client company. The definition above tells us that temporary supportive service has the same concept as dispatched workforce and creates so-called relationship of three sides in two places which means dispatching agency is the employer of personnel and offers wages and company welfare, such as unemployment insurance and annuity plan, and shall inform the personnel about the schedule of being dispatched and obligation of keep documents in files. However, client company has right to supervise personnel and needs to pay remuneration to dispatching agency for offering workforce (Huang, 2001).

D. Cost

The definition of Cost in Management and Accounting is resources to be sacrificed or consumed for reaching a goal. Cost also includes that company trade personnel' knowledge and labor service with its assets. And the definition of cost in this study is the cost for employing dispatched workforce, such as expenses of dispatched workforce recruitment, workers wages, and management. Take H Company as an example, H Company thinks that employing dispatched personnel costs no personnel expense and save personnel and management expense. The personnel cost analysis of employing direct labor in H Company is shown as Table 2.

Tab. 2: The personnel cost analysis of employing direct labor in H Company

| Differentiation | Gender | Wages | Shifts premium | Labor insurance | Health insurance | Group insurance | Bonus contribution | Pension contribution | total | Average | Cost Analysis B/A% |
|---------------------------------|--------|-------|----------------|-----------------|------------------|-----------------|--------------------|----------------------|-------|---------|--------------------|
| Irregular contract personnel(A) | Male | 19860 | 210 | 952 | 977 | 71 | 3972 | 794 | 26836 | 29962 | - |
| | | 19860 | 3150 | 1136 | 1166 | 71 | 3972 | 794 | 30149 | | |
| | | 19860 | 5670 | 1250 | 1283 | 71 | 3972 | 794 | 32900 | | |
| | Female | 17340 | 210 | 867 | 889 | 71 | 3468 | 694 | 23539 | 26607 | - |
| | | 17340 | 3150 | 995 | 1020 | 71 | 3468 | 694 | 26738 | | |
| | | 17340 | 5670 | 1136 | 1166 | 71 | 3468 | 694 | 29545 | | |
| Dispatched workforce(B) | Male | 22260 | | | | | | | 22260 | 25060 | 83.60% |
| | | 25200 | | | | | | | 25200 | | |
| | | 27720 | | | | | | | 27720 | | |
| | Female | 21210 | | | | | | | 21210 | 24010 | 90.20% |
| | | 24150 | | | | | | | 24150 | | |
| | | 26670 | | | | | | | 26670 | | |

Generally speaking, the personnel cost of regular contract personnel represents the lowest cost; however, when the quantity of output increase or decrease, manpower adjustment flexibility is low and is restricted to labor standards law. When the contract is expired, it shall transform into irregular or terminated contract. And the personnel cost of dispatched personnel costs 10% lower than irregular contract personnel. Because of two key points mentioned above, dispatched workforce is the best choice for a company; it can not only lower down the cost but also has highest manpower adjustment flexibility according to the current capacity situation.

E. Training

Any new personnel, whether he or she is the official or dispatched one, needs to go through the training before installation. The training before installation provides new personnel brief background information of company, company rules, and the basic skills they need to perform their job. Therefore, training focuses on three categories, such as seminar of training before installation, guideline of new personnel, and the points for attention in interviewing personnel and direct dispatched workforce.

F. Workforce flexibility

The concept of Workforce flexibility is derived from the flexible organization which designed by Atkinson (1984). The flexible organization is used to describe the measures of human resource management for enterprises, such as functional flexibility, quantity flexibility, time flexibility, and wage flexibility. Functional flexibility and wage flexibility are what we are going to discuss afterwards.

1. Functional flexibility

The definition of functional flexibility is that personnel need to acquire mobility,

adaptability and multi-skill when he or she works in order to meet the changes of job demand and development of technique (Blyton and Morris, 1992).

2. Wage flexibility

Atkinson (1984) claims that wage flexibility are consistent transformation, such as stratum bargaining, and expand the wage gap between skillful and non-skillful personnel. Atkinson and Meagher (1986) amend the concept of Atkinson's wage flexibility and redefine wage flexibility as the ability of adjusting wage structure in order to support functional flexibility and meet return on rare technique of market, reward of personal effort.

III. Research Design

Methods of social science research can divide into five approaches, such as experiments, surveys, history, secondary information analysis, and Case Study. Recently, Case Study gradually has become one of the most important study approaches in the management field. Case Study which has unique advantage can be applied to a research with abundant data to be collected and processed; therefore, Case Study is being used in more and more researches. The definition of Case Study is the statement of relevant fact; it provides the situation of problems in order to find out the solution for the problems (Chen, 1995) .

Case Company is what we are going to study and focus in the research, and meets the design pattern which characteristics are critical, unique and inspirational developed by Yin and is the single research object and single analysis unit. According to the classification of Birnberg, Shields & Young, the information was collected and depth interviews were used in case company in this study, which belongs to the Case Study in Field research (Yin, 1994) .

1. The object of study

First line manager who were in the person of T1, T2 and T3 were interviewed in the client company because they work with dispatched personnel all the time and know their working situation most. Employer (A1), contact window (A2), and accredited workers (A3) were interviewed in dispatching agency in order to understand the operation situation of dispatching. Moreover, due to different dispatching length, dispatching personnel were interviewed with the viewpoint of job satisfaction and interaction. The background information of 9 personnel were indicated according to their seniority is shown as Table 3.

Tab. 3: Background information of 9 personnel

| Personnel | Seniority | Position |
|------------------|------------------|-----------------------------|
| T1 | 20 YEARS | MANAGER |
| T2 | 15 YEARS | SPECIALIST |
| T3 | 8 YEARS | TEAM LEADER |
| A1 | 6 YEARS | EMPLOYER |
| A2 | 3 YEARS | CONTACT WINDOW |
| A3 | 4 YEARS | ACCREDITED PERSONNEL |
| C1 | 3 YEARS | DISPATCHED PERSONNEL |
| C2 | 2 YEARS | DISPATCHED PERSONNEL |
| C3 | 1 YEARS | DISPATCHED PERSONNEL |

2. Method

The information was collected and interview was conducted by e-mail based on qualitative research method. Confirming the contact way of related interviewees and semi-structure interview was used for the client company, dispatching agency and dispatched personnel. The study was based on 18 first line managers, among which 2-3 first line manager who work with H Company were sampled and interviewed, and observation method was also used in the research in order to observe the 3-7 assigned dispatched personnel's movement, such as their attitude, quality and interaction while working.

3. Summary of the interview

Semi-structure interview was used to the client company, dispatching agency and dispatched personnel in July 2008 and questions summarized as follows.

A. Summary of questions in interview of the client company:

- A1. What's your opinion to the management measures for the application of manpower adjustment flexibility?
- A2. What's your opinion to the manpower adjustment flexibility?
- A3. What's your opinion to the wage flexibility? What kind of personnel is better?
- A4. What's your opinion to the education and training of personnel which can reduce cost?
- A5. What's your expectation and opinion to that your company employ dispatched personnel in the future?
- A6. What's your opinion to the different employment relationship personnel's working attitude and behavior?
- A7. What's your opinion to the functional flexibility?

B. Summary of questions in interview of dispatching agency:

- B1. What's your opinion to the management measures for the application of manpower adjustment flexibility?
- B2. What's your opinion to the manpower adjustment flexibility?
- B3. How to deal with the situation when the dispatching personnel are in trouble?
- B4. What's your expectation and opinion to that client company employ dispatched personnel in the future?

C. Summary of questions in interview of dispatched workers:

- C1. What's your opinion to the current dispatched occupation? Are you satisfied with it?
- C2. How do you feel to work with colleagues who are different employment relationship? How is your interaction while working? How do you get along with each other?
- C3. What's your opinion to the way which your supervisor administer personnel in different employment relationship?
- C4. What's your expectation to the future promotion and prospects?

IV. Research Results

Interview record form was applied to this study and interviewees' replies were recorded during the interview in order to collect and analyze the data. The movements of dispatched personnel were observed in order to explore the working attitude, and achievement of the dispatched personnel. All the details in interview were listed as below:

A. Workforce flexibility:

- A1. With the increasing pressure of operation, manpower adjustment flexibility is the necessary measures taken by every company currently.
- A2. Generally speaking, higher flexibility of work and the arrangement of manpower can save more personnel cost for a company.
- A3. During the low season or the peak season of production, workforce flexibility is the best way to arrange manpower.
- A4. The dispatching agency considers that the client company may have multiple options by seeking jobs and manpower from dispatching industry.

B. Functional flexibility

- B1. The client company thinks that the training for multifunctional personnel retains their fighting capacity, is also an excellent choice.

B2. Multifunctional personnel policy adopted in company sustains competitiveness and maintains employees' ability to survive.

B3. The advantage of functional flexibility is reducing personnel cost, but there are still some difficulties will occurs when a company applies functional flexibility.

C. Wage flexibility

C1. It's a better way for the client company chooses to employ dispatching personnel in order to reduce cost.

C2. During the low season or the peak season of production, the company doesn't have to worry about arranging the idle personnel.

D. Education and training and reduce cost:

D1. Education and training can advance employees' skills and reduce production non-performing rate indirectly.

D2. Education and training can reduce operation cost over a long period of time.

D3. Employing dispatched personnel can decrease material, expense and time of the education and training.

V. Conclusions and Recommendations

A. Conclusions

Based on the analysis and findings above, the conclusions are summarized as follows:

1. Workforce flexibility:

Manpower adjustment flexibility is the necessary measures taken by every company currently, and higher flexibility of work and manpower can save more personnel cost for a company.

2. Functional flexibility

Employing dispatched personnel is the best policy for the client company because the application of multifunctional personnel training retains their fighting capacity, is also an excellent choice.

3. Wage flexibility

It's a better way for client company chooses to employ dispatching personnel in order to reduce cost and doesn't have to worry about arranging the idle personnel cost during the low season or the peak season of production.

4. Education and Training cost

Employing dispatched personnel can reduce cost of material, expense and time of education and training.

B. Recommendations

Based on the research findings above, recommendations for the client company and related enterprises are as follows:

1. Although employing dispatched personnel is a tendency, supplementary measures still need to be taken while selecting personnel in order to maintain better quality of manpower.
2. Recruiting excellent dispatched personnel properly can create high efficiency and profit of corporate business achievement for the client company.
3. Designing integrated management policy and promote the identification of personnel for the organization with the application wage flexibility can increase the cognition and action of the application of manpower adjustment flexibility for personnel.

The global economics recession has occurred since 2001, the industry utilize all kind of ways to tap new resources and reduce expenses for passing the difficulty of gross depression and reduce cost. Generally speaking, personnel cost is the most strenuous expense for a company. How to reduce costly personnel expense is always the most haunted problem for the managers. The objective of the study is to remind enterprises that planning high flexibility of manpower framework with lowest cost can simplify organization and maximize efficiency in order to strengthen competitiveness. Advancing manpower adjustment flexibility and reducing cost are the necessary measures for enterprises to operate and develops well. The proper application of dispatched personnel can provide direct manpower demand and reduce cost of personnel and management.

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