

# Externalization of Employees

## – Thinking about going somewhere else

Ola Bergström

Department of Business Administration  
School of Economics and Commercial Law  
University of Göteborg, Vasagatan 1  
Box 610, SE - 405 30 Göteborg, Sweden  
Tel: + 46 31 - 773 15 44  
Fax: + 46 31 - 773 54 14  
e-mail: ola.bergstrom@mgmt.gu.se

Ola Bergström is an Assistant Professor at the Department of Business Administration at the school of Economics and Commercial Law, University of Göteborg, and CORE (Centre for Organizational Renewal), Chalmers School of Technology. He finished his Ph.D. in June 1998 – “Cultural Match – Recruitment in a Knowledge Intensive Firm”. His present research interests include changes in the labour market and work organization. For the moment he is part of the NUEWO–project (New Understanding of European Work Organization) which is concerned with the changing use of contingent employment in Sweden, UK, Netherlands, Spain and California. The project is supported by the Swedish Institute of Working Life (NIWL) under a joint program called SALTSA. He is also director of the Human Resource Management Group at the School of Economics and Commercial Law, University of Goteborg.

### **Abstract**

Externalization of employment relations is a general trend among businesses in the 1990s. As a consequence we observe an increasing use of temporary workers, outsourcing and insourcing. This paper is concerned with the consequences of externalization of employment relations from the perspective of employees. I argue that externalization of employment relations is not only a matter of temporary, administrative or geographical distance between employer and employee. I suggest a complementary form – *externalization of responsibility*. The paper is based on an in depth empirical study of a corporate adjustment program in a large government owned energy producer in Sweden. The company is trying to stimulate internal mobility by means of training programs, adjusting its workforce to changes in market demand without layoffs.

Key words: externalization, employment relations, marketization, and calculative agents

# Externalization of Employees

## – Thinking about going somewhere else

### **Abstract**

Externalization of employment relations is a general trend among businesses in the 1990s. As a consequence we observe an increasing use of temporary workers, outsourcing and insourcing. This paper is concerned with the consequences of externalization of employment relations from the perspective of employees. I argue that externalization of employment relations is not only a matter of temporary, administrative or geographical distance between employer and employee. I suggest a complementary form – *externalization of responsibility*. The paper is based on an in depth empirical study of a corporate adjustment program in a large government owned energy producer in Sweden. The company is trying to stimulate internal mobility by means of training programs, adjusting its workforce to changes in market demand without layoffs.

Key words: externalization, employment relations, marketization, and calculative agents

### **1. Introduction**

During the 1990s there has been a gradual movement away from full-time and on-going employment arrangements toward an increased use of workers on part-time, 'contingent' or 'temporary' employment arrangements. This development seems to be similar in all advanced industrial economies in Europe, North America and many Pacific Rim countries (McLean Parks et al., 1998:699). In the UK there has been a steady increase in the proportion of temporary employees during the 1990s (Purcell and Purcell, 1998). In Sweden, 12,4 % of the work force today lacks a permanent employment contract (Wikman, et.al. 1997:115). In several other countries in Europe and in the US the rate is at the same level or higher (Blanpain, 1993). Several authors has referred to this development as an externalization of employment relations (see e.g. Davis-Blake and Uzzi, 1993; Pfeffer and Baron, 1988). Pfeffer and Baron (1988) distinguish between three types of externalization: externalization by reducing the duration of employment (temporary workers), externalization of administrative control (independent contractors/outsourcing) and externalization of place (e.g. telecommuting/distance work). Several authors claim that the flexibilization and externalization of

employment relationships is a return to the pre-industrial era with drastic consequences for employee well being and job security (Sennet, 1998).

The international trend of externalization of employment relations can be regarded as evidence of a development of the labour market in the direction of marketization; i.e. a transformation of the employment relationship to be regulated by market mechanisms rather than hierarchy and commercial contracts rather than employment contracts. The structural nature of this change is indicated, not only by the development of more precarious labour contracts, but also by a movement of the utilization of temporary work arrangements from traditional office work to industries, such as the health care industry and high technology firms (Matusik and Hill, 1998). In the UK the greatest proportionate increase in growth since the beginning of the decade was in corporate service sector employment such as Financial Services, Computing and Business Services and Research and Development. There has also been an increase in current and former public sector industries that have undergone fundamental change due to political policy: Electricity, Gas and Water Supply, Education, Public Administration and Other Community and Personal Services (Purcell and Purcell, 1998:46). Thus, there seems to be some link between the externalization of employment relations and privatization of public sector industries.

Furthermore, the increase in the use of contingent labour spans over both highly skilled and unskilled labour. For example in the UK the most frequently found highly qualified group in temporary work is teaching professionals (Purcell and Purcell, 1998). Other occupational areas where the use of temporary work has increased in the UK are clerical and secretarial occupations (ibid.). Similar conditions could be found in many European countries e.g. Sweden (Wikman, et.al, 1997) and in the U.S (Polivka, 1996). Thus, in most industrial countries there is a growing group of individuals with looser ties to the labour market, indicating that something fundamental is happening to the basic contract between employer and employee (Barker and Christensen, 1998). This externalization, however, proceeds with varying speed and seems to take different forms not only within the structures of production but through changing legal systems, traditions and different institutional frameworks in each country (Appay, 1998). Thus, the externalization of employment relations may be related to long lasting changes in the functioning of the labour market, which may have considerable consequences on both individual and organizational levels.

This paper is concerned with the consequences of externalization from the perspective of employees. I will argue that the externalization employment relations is not only a matter of producing temporary, administrative or geographical distance between employer and employee. I suggest that there is a complementary form of externalization, that I would like to call *externalization of responsibility*, implying that individuals are made responsible for their work situation to a

greater extent than before. I claim that the externalization of responsibility is dependent on the construction of employees as calculative agents contributing to the institutionalization of employment relationships in the direction of marketization.

I have chosen to illustrate this by a case study of a large producer in the power industry – Power Corp. Due to deregulation of the power industry, the company is going through an extensive change program, structuring the organization into business units and rationalizing business operations. In order to avoid layoffs the company has initiated a generous action program, with a budget of 1 billion SEK (\$100 million), aiming at internal mobility within the organization and stimulating employees to go through training programs in order to be better prepared for future changes. The action program, which is named "Competence Shift", is expected to create opportunities for a continuous mobility of employees within the organization and a better ability to adjust the business to the conditions of the market.

In this paper I will first present the former work conditions of the Power Corporation and how it is changed through the change program. The work conditions and organizational structure is analyzed in terms of how it provides opportunities for employees to insure themselves to what I call employment risk. But before I do this I would like to discuss shortly some previous notions of externalization and internalization of work.

## ***2. Externalization of Employment and Market Agents***

Despite the growing interest in externalization of employment relations most studies of organization has been focused on the internalization of work (the employment of full-time, permanent workers). Most research on internalization has focused on internal labour markets (ILM). There is considerable agreement that ILMs increase workforce stability and give the employing firm control over employees (Davis-Blake and Uzzi, 1993). Because internal labour markets are designed to provide stability and control, ILMs may make it difficult and expensive for employers to adjust to changing internal and external conditions. These adjustment difficulties may, according to Davis-Blake and Uzzi (1993), occur for three reasons. First, because jobs in an ILM are arranged in a clear hierarchy, adjustments to wages of one job require adjustments to the wages of many related jobs. Second, internalized work often comes with an implicit promise of long-term employment. Workforce reorganizations that eliminate jobs tarnish a firm's reputation. Finally, powerful groups that influence the design of ILMs (e.g. unions and government) may require ILMs to include practices that do not fit organizational needs (e.g. seniority rights during downsizing). Thus, firms may derive the benefits of ILMs at a cost of reduced organizational flexibility.

In contrast to internalization, externalization may, according to Davis-Blake and Uzzi (1993), increase a firm's flexibility in dealing with changing market conditions and organizational requirements in three ways. First, externalization reduces many types of employment and administrative costs. Second, externalized workers are hired without the expectation of long-term employment and therefore can be let go without tarnishing a firm's image. Third externalization may offer a firm a way to access highly specialized skills that are needed for only a short period of time, such as engineering skills that are needed only for a single project. Using independent contractors allows a firm to offer a wide range of products without risking a large fixed investment in labor.

Many different explanations have been suggested to the externalization of employment relations. First, and maybe most obvious, the externalization of employment relations is regarded as a result of *economic cycles*. When firms get more orders they tend to meet the growing need of labour by increasing their use of temporary workers. Second, externalization of employment relations may be a result of *deregulation and liberalization* of labour markets. Allowing for the use of temporary work arrangements seems to lead to greater fluctuations of demand in the labour market – employment rates will fall more in the decline phases and rise faster in economic upswing. Thus, allowing for temporary work may have effects on the way the labour market functions rather than on its size. Third, externalization of employment relations may well be found in *changing employer strategies* relating to the 'permanent' workforce such as the *focus on core competencies* (Glasgow, 1998; Lepak and Snell, 1999). The growing importance of these particular forms of employment could also be explained by the *growing need for organizational flexibility*. Organizations require greater flexibility in the structure and operation of their productive equipment and also in the utilization of their manpower (Miles and Snow, 1997; Barnes and Nelson, 1997) in order to be more adaptable, respond more effectively to fiercer international competition and more successfully diversify their responses to cope with the development of market demand (Blanpain, 1993:3). Furthermore, the externalization of employment relations may lead to labor cost reductions, increased scheduling flexibility and diminished responsibility for direct management of employees (McLean Parks et al., 1998; Pfeffer and Barron, 1988; Nollen and Axel, 1996). A fourth suggested explanation for the externalization of employment relations is that it *satisfies the needs of individual workers* in a better way and, thus, that there is an increasing demand for temporary work from employees (Arvidsson, 1997; Feldman, Doeringhaus and Turnley, 1994).

As presented above, most often externalization of employment relations is explained by changes in the demand and supply in the labour market. However, there are other possible explanations that are not very well developed in the current “state of the art” research. For example by considering institutional theory (Czarniawska and Sevon, 1996; DiMaggio, 1983), externalization of

employment relationships may be regarded as dependent on social or institutional processes like imitation, fashion or power relations, rather than “rational” adjustments and considerations by employers and employees. Furthermore, the externalization labour may stimulate organizational changes, routines and social practices that remain even if the demand for flexibility decreases. Thus, a short-term adjustment to external conditions may stimulate institutional processes that produce further externalization in the long run. However, this explanation does not account for the institutional processes where individual employees learn how to cope with, demand and expect temporary work arrangements in the future. This is the focus of this paper.

### Employees as Market agents

The role of the individual in the labour market is a question often discussed by scholars of Economics, Sociology, Human Resource Management or Organization Studies. Dependent on from what perspective employees are regarded their role is constructed in different ways. In general the individual is often regarded as a passive object, a resource or a unit of labour, selling their work capacity in the labour market. This view of the individual is illustrated by how workers are described in social scientific discourses. Except being subject to labour market regulations and associated rights (Allvin, 1997:180) individuals are supposed to be at the society's, employer's or the labour market's disposal. A job is something that you have, loose or get and at the same time it is something that the employer give or take from the individual. Individuals who does not work is exposed to various labour market policies in order to be incorporated into productive work (Ekstrand, 1996). These concepts of employment are, from my point of view, a product of the internalization of work. If the employment relationship is instead externalized the role of the individual may be constructed in a somewhat different way. The individual is not only an agent in the market as buyer or seller of labour. She is also a conscious agent making independent judgements and choices of job alternatives. This implies regarding any contract as an engagement, which at the same time bring limitations to enter into another contract during the same period of engagement. In this context we may talk about the individual as a calculative agent (Callon, 1998).

For an agent to be able to calculate – i.e. to rank – her decisions, she must, according to Callon, (1998:4), at least be able to draw up a list of actions that she can undertake, and describe the effects of these actions on the world in which she is situated. Furthermore, calculation presupposes the existence in organized form of all the relevant information on the different states of the world and on the consequences of all conceivable courses of action and the access of all this information to the agent. Thus, she will not only be able to get an idea of possible goals and rank them, but also mobilize the resources required to attain them. An important point with this reasoning is that the capac-

ity of the individual to do this act of calculation cannot be taken for granted. The individual's ability to calculate is neither a cognitively given capacity, neither an institutionally given necessity (Callon, 1998). *The ability to calculate is rather something that is constructed in social interaction.* For example a candidate's choice of job alternative does not necessarily have to do with the realism of the information given by the employer to the candidate. The presentation of information at the time of recruitment could be regarded as a social construction of how the job alternative should be understood, rather than a representation of how that reality "really" is (Bergström, 1998). Thus, the point is not whether individuals are rational or not. The focus is rather, as Callon (1998:51) puts it, to the different ways in which s/he is formatted, framed and equipped with the prostheses which help him in his calculations. In the following I will explore further how a change program provide new frames for the calculations of employees and how changes in policies contributes to learning employees calculating their future.

### **3. Case Study**

This case study is based on fieldwork conducted during autumn 1998 and spring 1999. Around 15 interviews with key persons in the organization have been made. Fieldwork also consists of participant observation of training programs and meetings where the change program is coordinated. The study is a part of a larger program at CORE (Center for Research in Organizational Renewal, Chalmers School of Technology). The purpose of the program is to create understanding of the problems arising in organizations when some parts expand and some parts need to cut down.

The studied firm, which has more than 5000 employees in Sweden, has during the last 10 years undergone great changes caused by the deregulation of energy markets. This is also complemented with a change from a government-owned enterprise to a state owned corporation. As with other firms undergoing similar structural changes, the exposure to international competition is described as an explanation to why a restructuring of the organization is needed. The firm has previously initiated various programs aiming at adjusting the workforce to changes in organizational structure and business; early retirements, layoffs and information campaigns (Bergström, 1999). In order to avoid further reduction of the workforce management has initiated a program for internal mobility and competence development – Competence Shift. The program aims at stimulating employee mobility within the company. In some cases it could mean going through training and competence development programs in order to achieve mobility. It could also mean to inform employees about the opportunities for new jobs and what competencies are required to get them. The program supports business units with all possible resources covering costs related to development that leads to

mobility. But what is most important, from the company's point of view, is that the individual is interested in and willing to change his or her work situation.

### Internalization as a Tradition

The Power Corporation has a long history of internalization, trying to attract people to work in the rural areas where power plants are located. The plants are often placed in thinly populated areas, both for security reasons and for practical reasons (hydroelectric power stations are placed where the water is). The location of the plants has produced a need to provide good working conditions and a strong notion of social responsibility from the employer. The governmental ownership also emphasizes this. The operations are also characterized by a relatively sophisticated technology. Since the operations often are characterized by high degree of automatization, the work consists of control and maintenance of equipment. Thus, there is a need for expert knowledge and a high degree of specialization. Another aspect for the conditions of work is that the production facilities are relatively unique. Even if there are similarities between different plants, every plant is relatively unique, due to technical development and the need for adjustment to local conditions. Furthermore, the technology used is not only advanced, it may also imply risks of damaging the environment and health of both workers and citizens, e.g. as in the case of nuclear power plants. Thus, there is a need for high levels of security. This often requires a need for highly specialized knowledge in order to be able to carry out work. These conditions contribute to that the evolution of knowledge among the employees is highly dependent on local conditions and to lesser extent applicable to other plants or work places. Thus, the conditions of work in the company implies that the individual is expected to increase his/her knowledge and skills within a narrow field, specific for the operations of the company, at the expense of the possibility to develop knowledge that is applicable to other jobs and or companies. In return the employee is granted relatively high salaries and job security. The traditional policy of the Power Corporation thus is a typical example of internalization. Individuals are highly confined to the organization and the workplace.

The confinement of the individuals' competence to the work place and the organization creates a problem both for each individual and for the company when parts of the operations needs to be closed down or rationalized because of technical development or changing demand in the market. Some of the work tasks are not needed any longer. The employee risk being redundant and the employer have problems to get workers to the new operations of the company important to keep the customers when competition increases. Most often solutions to these problems are defensive in

its character, i.e. either to keep the position of the company in the market or to keep a certain job security by no allowing for recruitment.

Thus, the terms of employment frame the individual's calculations as being an exchange relationship. Employees are assumed to give their long term loyalty and commitment and in return they get high salaries. Employees are also assumed to develop their competence in relation to what is needed in the organization and not in accordance with what is generally demanded in the labour market. This means that the terms of employment are dependent on the stability of the organization and its environment and if there are changes employees are exposed to high risks of not being able to get another job. Thus, it is in the interest of both parties to do something about the work conditions in the company.

### Externalizing Employee Relations

The change program of Power Corp could be regarded as a process of externalization, changing the frames of employee calculations. This is done in several ways. First, there is a move to reduce the focus on specialist positions and an introduction of new forms of employment. *Employees are stimulated to develop more general competencies.* Instead of announcing vacant specialist positions, the positions announced are converted to new forms e.g. "project manager", "project engineers", "sales coordinator", "strategist" or "consultant" all representing new roles and competencies in the company. All these positions has in common that they do not demand specific competencies, instead they claim general and basic knowledge and that the individual is ready to take upon a role described in more general terms: e.g. to take initiatives, to be goal oriented, and to have strong driving force". Thus, the new terms of employment differ from former positions by not requiring confinement to specific conditions and identities.

"Yes that's true! We haven't had these roles in the company before. There has not been a need to sell our product. It used to be sold by itself. Today we need to try to influence the market in order to sell. Of course this is a completely new way of thinking!"[Representative 2]

However, specialist positions are not exterminated. There is still a need for highly specialized skills and there are also possibilities for people who want to make a specialist career, but these are exposed to competition. Fields of expertise are clearly defined and given responsibility for profits, thus the *fields of expertise are turned into profit centers*, which implies that those who hold these positions are required to sell their services externally or internally to other units within the organization. They are encouraged to take on, what is called an "entrepreneurial role". Thus, the possessors of these specialist positions must motivate their own existence by showing that their activities generate revenues. The new positions are intended to change the approach for the individual. Instead

of providing a framework where the individual gains by developing his/her competence in a narrow field, the new positions implies that the individual gains by developing his/her competence in more general terms, i.e. such competencies that are useful in other businesses, independent of industry and location.

Furthermore, there is an action program supporting employees' transfer to such positions. This is done in several ways. First of all by stimulating the employee to work on temporary assignments or projects, to spend some time on probation at other departments. Second, the action program provides resources and training programs contributing to the development of more general competencies, e.g. project management. From the individual's point of view, this implies that there is a possibility to come out of a competence trap and thereby decrease the risk of developing competencies no longer marketable in the future.

The point here is that the new human resource policy does not only take into account the employees' employability within the firm, but also that he/she is more useful in the external labour market, i.e. *the overall employability is increased*. Thus, the organizational change program may contribute to changing, what could be referred to as, the business risk of the terms of employment, by changing the conditions of work and the requirements of taking new positions.

### Temporary Work Arrangements

The change program does not only imply a shortsighted adjustment of the operations to temporary changes in the market. It also means a more principal change of the organizational structure. The new organization implies going from, what used to be called a line management structure to a project based organization. That means that work is to a greater extent organized in temporary projects, using personnel from the line. The employee then work temporary for the project and when the project is finished he/she goes back to the line organization. This also means that the project management may use labour external to the organization to fill the needs of the project.

From the individuals perspective this way of working provide an opportunity to create, what I would like to call a work portfolio. A work portfolio may be defined as the total number of assignments an individual is engaged in during a certain period of time. This may facilitate the individual in working with general projects covering the work of several departments or coordinating activities between departments. This means that the employee develop experiences and skills in various areas at the same time and is exposed to relationships with different employers. To have a portfolio of assignments implies that the individual has an opportunity to decrease the business risk of the employment contract, i.e. the risk of being dependent on one employer. Furthermore, the depend-

ence on changes in the demand in the labour market decreases, since the employee is more mobile/flexible in terms of both skills and employers.

Thus, transformation to a project organization implies that the individual has an opportunity to create a work portfolio (an adequate combination of assignments) enabling an opportunity to decrease both the business and market risk of the terms of employment. However, management experiences problems related to engaging employees in the new organizational structure.

### Stimulating Internal Mobility

The competence shift program runs several activities aiming at stimulating employees to participate in the change process of the company. This is highly prioritized by management. The HR-manager points out that the changes needs to be carried out by balancing the need for safety and challenge. The leading star for everyone should according to the CEO be "courage, commitment and performance". However, there are problems in creating commitment to mobility within the company. One problem has to do with management structure. There are no incentives for managers of business units and first line managers to contribute to internal mobility. It is hard to motivate managers to stimulate their subordinates to try to find a job elsewhere, outside their departments. There are several reasons for that. First that managers are afraid to loose key competence, as one of the company representatives expressed it:

"To try to make line managers to realize that mobility not only means trouble, but in fact also has opportunities. Maybe they have to take the inconvenience of loosing one core competence, if they get something new back again. To have it drummed into the managers here, to take in an internal applicant, who may not fill all the requirements and develop that individual, then we support that, that you work parallel together with someone else during a period of time. They can't afford to train someone new within normal budgets." [Representative 5]

Furthermore, there was a certain resistance to taking in new people in the operations who could not contribute to the result in a positive way.

"In the beginning it was regarded as a burden to take in a new co-worker that you need to train. But it's like that with all learning. Somewhere you start to get productive. Then it turns into reinforcement, that you don't have to pay for a number of years. I mean, you don't to have a large sum of money for that, but you need to have a clear statement from the management that these activities are blessed." [Representative 5]

Thus, the measurement of performance risks producing suboptimization. Since middle line managers performance is measured by measurements such as quality, productivity and overall performance, there is a risk that they optimize the mixture of personnel in their department rather than looking at what is good for the whole organization. It is in the interest of general management to stimulate

employees to move and take jobs in other parts of the organization. The resources reserved for competence development at the department level is above all designated to improving the employees capacity to perform existing work tasks within the department, not to prepare them for taking on new work tasks in other departments. It is not in the interest of business unit managers to support the development of employees outside the department.

Furthermore, there is a fear from line managers that their encouragement of individual employees, to undergo training programs aiming at finding a job outside the department, would create feelings of being pointed at and being unwanted in the individuals. Thus, in order to stimulate mobility within the organization management needed to construct *mechanisms that stimulate employees to make up their mind and take responsibility for their own situation.*

### Take Responsibility!

In order to stimulate employees to take responsibility for their own work situation the firm set up an extensive information campaign. Internal news letters, newspapers and videoconferences were all filled with slogans and messages informing employees about the developments in the market and the importance of everyone taking responsibility of their own. In internal newspapers vacant advertisements were published and there were also interviews with employees who had successfully undergone programs for competence shift and had a new job with better pay and good future opportunities. But in spite of all efforts to inform employees about the opportunities to get a new job within the company there were not many who participated in the activities.

“I meet both positive and somewhat negative responses, well not explicitly negative, but somewhat wondering, hesitant, but I really have presented this as a unique opportunity, where the firm takes more responsibility than what’s required both legally and contractually.”[Representative 3]

Employee responses are varied. Several avoid participating in training activities despite the employer’s provision of resources and generous training programs. Company representatives explained the lack of interest in taking advantage of the generous offer by blaming the corporate culture.

“The individual initiative is really important, but in order to let that initiative have full freedom you must remove some of those cultural mindsets preventing them from doing it.”[Representative 3]

The lack of initiative and interest in mobility is also regarded as being dependent on the family situation and or the self-confidence of the individuals.

“There are many other parameters, family, unemployment, and also that many people lacks self-confidence. Knows what you’re doing – will I manage this? It is a rather complex picture really.”[Representative 1]

Another explanation of the lack of mobility is of course the lack of alternatives in the labour market. The fact that power plants in most cases are located in thinly populated areas in the northern part

of Sweden means that the opportunities for alternative jobs outside the firm is not very good. In many plants the company is the dominant employer. Thus internal mobility often means moving from thinly populated areas to urban areas or larger cities. This may have great consequences for families, leisure activities and the complete social life situation. Thus, these changes proposed by the corporate program threatens not only the individuals work situation but the whole lifestyle

Furthermore, training programs and seminars were set up in order to attract attention to change and development issues in general. The personnel department developed a database where employees could present themselves, their merits and what type of job they wanted. The purpose with this database was that units who needed to recruit people should go to the database in order to find people who wanted to get a new job. But unfortunately this technical system failed, due to the lack of interest by employers to look for people and the difficulties in making employees put their data in the database. The personnel department also offers employees to go through a particular training program, called INDY – Individual Development. This program provides individuals who want to change their work situation with the skills of how to set up their own action plan, how to present themselves and how to look for a new job. The individual development plan is regarded as a way for the employees to overview his or her possibilities for development and to be able to search for other job offers within or outside the firm. The program is set up as a workshop for three days during four weeks, where employees from different parts of the organization participate. The participants have an opportunity to exchange experiences and also have a chance to discuss, gossip around and criticize the organizational changes of the company.

#### ***4. Discussion – Externalization of Responsibility***

The change program is a way for the Power Corp. to adjust its labour force to changes in the organizational structure and strategic orientation. The Change Program has advantages in this respect in relation to other methods of adjusting the labour force, since there is an opportunity to decrease the number of employees without centralized cuts in the labour force. In order to achieve this management introduces several changes and activities. First, several functions of the former organization has been cut down in business units, working as independent organizations or has been outsourced to other companies. Second, transferring from line-management organization to a project based organization means an increasing number of work assignments are temporary. Third, positions are defined in more general work roles, e.g. consultants or project managers. Employees are offered support for their development within the organization on condition that they take on these new roles. Thus, this program could be regarded as a way to achieve, what Pfeffer and Baron (1988) calls, *an externalization of employment relations* – the transformation of employment relations from

hierarchical to market-based relationships. However, through the Competence shift -program at Power Corp. the externalization is created in a particular way and under certain conditions.

First, there is a general threat of layoffs and drastic cuts in the work force. If this program had been applied to a company without the general threat of layoffs, rationalizations and downsizing, the need for this type of efforts may not have been so urgent. Threats may contribute to political processes within the organization and other responses where individuals are trying to resist change rather than approve with it. On the other hand, this may be a conscious strategy from the employer's point of view. Power Corp. create these conditions before they really need to make reality of the threat of further downsizing. From the perspective of employees the Competence shift program is then regarded as an activity in close association with the rumors of layoffs and changes going on in the organization, and is thus, regarded as "the last chance" – "Take that chance while it is still there!"

Second, the program is rather limited and would not necessarily contribute to any major changes or transformations of the work situation of employees. One could hypothesize that the externalization of employment relations would imply a more drastic cut, laying off workers who are no longer needed, recruiting workers on fixed term contracts, increasing use of insourcing and outsourcing of functions that are not regarded as a part of the organizations core business. Instead employees are offered programs for individual development, where they are thought how to make an inventory of themselves and make an action plan of their own future. They are also provided with training programs suitable for their specific needs, but also related to what is demanded in the position that they are going to. Thus, going through The Competence Shift Program may be regarded as a section of a longer and more extensive transformation: the conformation of the employees to a more liberalized labour market, which does not start with one individual looking upon their work situation, making an action plan for their future work life, learning how to look for a job, rather a more far-reaching alteration of the attitude to work life. In this sense the Change-program is what Allvin (1997) calls an individualized social practice, producing what Callon (1996) calls a "calculating agent". The ideal is the independent individual taking responsibility for his/her own future, looking for jobs where his/her competence is best used. In that way the Competence Shift - program contributes to a marketization of the labour market, not only in an infrastructural sense (a number of people changing jobs) but also ideologically (reinforcing a point of view, a way of looking upon yourself, employers and the labour market in general). Thus, marketization is dependent on the participants going through a program where they are taught how to calculate in the labour market – not because calculation is demanded by the labour market, rather because there would be no market without calculating agents.

## Taking charge

The most important evidence of externalization during the program is the distance produced between employer and employee: the employer stimulates participants to look upon their present work situation with more critical eyes. This occurs to a various extent among the participants. For some it comes quite naturally, as a spontaneous reaction and without consideration (it may have been a reason for joining the program in the first place). Others have a harder time analyzing their own situation in a more distanced manner. Whether it is the threats of layoffs, inconvenience in the present work situation or provocations by the representatives of the program, creating these responses, most of the participants in the program would probably assert that their action plan is a result of their reflection on their own situation. Such a response may be a genuine expression of their experiences, feelings and opinions, but is also in line with the interest of the representatives of the program and also the employer: that the individual should be held responsible for their own situation and their own decisions. Thus, one important effect of the program is that even if they are not externalized in a physical sense, at least some employees start *thinking about themselves as external to the organization*.

## Fictitious Freedom

Whatever the causes, the externalization from the Power Corp. may have considerable impact on those who experience it. For their own part, even if it is provoked by individual development programs, the externalization implies that they really feel that they have an opportunity to do something for themselves, that they have control of their destiny and that they have a choice of what to do in the future. Furthermore, when participants go through the program they tend to experience a sense of freedom. Even if it is fictitious this kind of experience could be regarded as a form of emancipation or enlightenment. They are enthusiastic! Several participants of the development program report that they suddenly see how they have acted before and how they now have the possibility to change their life situation. Consequently, the Competence Shift-program may lead to that the participants may experience that the plans that they have developed during the program is a way to gain freedom and self-control. They experience a sense of control of their own future. In principle, this may be true for all participants, whether they decide to look for a new job or not, but is maybe most important for those who experience that their job situation is not matched to their own needs and desires and decide to do something about it.

On the other hand, from the point of view of the representatives of the program there are difficulties connected with making the participants take on this externalized point of view. It is always possible for participants to take part in the program, more as a way to make a good impression,

rather than really consider taking another job within or outside the organization. A further possibility is that participants accept going through the program without being aware of its consequences or that s/he persuades her/himself into doing it, e.g. “saying that this is good for me”. It is this type of “naive” reflections that representatives of the program want’s to guard them against by being instructive and provocative. The representatives of the program want to make sure that the participants really have thought through what it means to take another job. This insurance is created by the representatives’ continuous instructions and repeated requests to go through all aspects of their work life private life and private life, e.g. if they are willing to move or about their family situation. The program ends by the representatives of the program ensuring that the participants has followed their own action plan and if they have succeeded in getting a new job.

Furthermore, and maybe most important, the way the program is designed creates an innate possibility for participants to (on individual basis) collect more information, think things through and reflect upon what to do during the period between the sessions. (In order to make sure that this reflection does not go out of hand, the participants are also offered personal counseling between the second and third meeting.) During these periods the participants have a possibility to, on individual basis, think through what happened during the former sessions and consolidate their plans considering future work alternatives (to look for a new job, within or external to the company, develop within the existing job or develop aspects of private life instead). Thus, the program is designed in a way that supports the participant’s individual calculations of his/her life.

### Counteracting Criticism

Thus, the Competence Shift program appears as a structured and systematic control of the participants’ reflections on their work life. At the same time as the participants get the impression that they do something that is in their own interest, (whether it is concerned with their private life, work life or understanding of their present situation). Representatives of the program are relatively open and honest concerning the purposes of the program – to enable individuals to find a job inside or outside the organization. They also make clear what happens if they don’t make plans or take the chance of taking another job. There is a risk that they loose their job when it is time for the next run of layoffs. Furthermore, they try to create an open environment allowing for criticism of the employer’s way of treating them and the personnel policy in general. Such openness could be regarded as a mistake from a traditional personnel policy position based on internalization, i.e. to openly express and, in addition, stimulate participants to express criticism about the company’s personnel policy. One would expect that the representatives of the program would support the employer and at least keep their own opinions about the company for themselves in order not to

lose their own job. In this case *explicit criticism against the employer is made into a condition to reach the purposes of the program*. The explicit and open criticism of the company, created by the representatives of the program, gives the participants further evidence for the need of taking control and power of his/her own work life. Allowing for criticism creates the impression that *the employer releases its responsibility for their employees*. The employer takes the blame when the employees get angry or upset. Criticism in small portions is easier to handle than having to take the complete responsibility for layoffs. It is made sure that criticism is expressed to a reasonable extent, not at the same time and in an individualized manner. Thus, by stimulating criticism, critique is silenced and counteracted.

### **5. Conclusion – Internalization of Externalization**

The Competence Shift-program at Power Corp could be regarded as a move towards a new form of externalization of employment relations. Previous studies (e.g. Davis–Blake and Uzzi, 1993) have focused on more direct types of externalization, i.e. outsourcing, the use of temporary labour and insourcing. The change program at Power corp. is however an example of a more indirect form of externalization. It is a form of externalization where the responsibility for the employment relationship is handed over to the employee. The company stimulates employees to think about themselves as external to the organization and start to look for jobs somewhere else. Thus, *externalization is internalized in the minds of employees*. In this way the employer hopes to stimulate internal mobility and decrease the need for radical reductions of the labour force.

The point here is that it seems to be in the company's interest that employees make plans of their future beyond the immediate control of the employer. This is a change in relation to dominating versions of HR-policy, where strategies, methods and practices, most often are concerned with the confinement of the individual to the employer, the work place or the organization by various means, e.g. salaries, work conditions, fringe benefits or corporate culture. As Davis–Blake and Uzzi, (1993) point out, internalization and externalization serve different but complementary purposes. Internalization enhances organizational control and stability, while externalization increases organizational flexibility. When used together, these two arrangements, according to these authors, give a firm a mechanism for developing stable yet adaptable work arrangements.

I would like to argue that externalization at Power Corp. not only means letting go control of workers in order to increase flexibility, it rather produces a different *regime of control*. Instead of producing control by providing job security, measures are taken to enable employees to, not only calculate their risks, but also spread their risks of employment. Thus, the risks of employment are made more explicit and transparent, in order to enable employees to take responsibility of their own

work situation more easily. The most important difference is how time is framed in a different way in the framework of the employer. Employers are interested in using the individual as a provider of labour for a limited period of time, not necessarily for life. Employment is rather regarded as a life journey than a permanent position. Instead of requiring loyalty to the organization at any price, there seems to be a growing acceptance of regarding the organization as a preliminary stop in the individual's journey somewhere else. What was formerly a socially responsible employer is now turned into a fluid association of work activities. Responsibility for job security is externalized to the individual employee. The employer only provides the resources in order to support the individual in taking that responsibility.

On the other hand, in order to be able to manage the externalized employment relationship, employers need more detailed information about the individual's private life. It is not only their competence and skills but also their plans of the future that is of interest in the coordination of the employment relationship. Thus, externalization is not about losing control of employees, the new regime may rather imply a further extension of control, including what used to be private aspects, such as: family relations, future plans, fantasies and interests. As Deetz (1992) puts it, the capitalist mode of production contributes to the colonization of the life world. A growing proportion of the life of the individual is subject to employer's interest and control. This also means that employees are vulnerable for exploitation in a new way. By virtue of their information advantage and possibilities to make long term planning, employers are able to act strategically, which is not necessarily possible for the single individuals. An important question is thus how individual judgements and calculations could be supported? To attract attention to the different risks associated with employment conditions in an externalized labour market is thus, one way to balance out any inequalities in employment relations.

## **References**

- Allvin, M. (1997) *Det individualiserade arbetet*, Om modernitetens skilda praktiker, Stockholm: Brutus Östlings Bokförlag Symposium.
- Appay, B. (1998) 'Economic Concentration and the Externalization of Labour', *Economic and Industrial Democracy*, Vol.19: 161-184, London: SAGE.
- Arvidsson, S. (1997) *Arbetsmiljö och arbetsvillkor för anställda inom personaluthyrningsbranschen*, Working Paper No. 52, Stockholms Universitet.

- Barker, K. and K. Christensen, editors (1998). *Contingent Work: American Employment Relations in Transition*. Ithaca, NY: ILR/Cornell University Press.
- Barnes and Nelson, J., 1997, 'The boundaryless organisation: implications for job analysis, recruitment and selection', *Human Resource Planning*, vol 20, no 4: 39-49
- Bergström, O. (1998) *Att passa in, rekryteringsarbete i ett kunskapsintensivt företag*, Göteborg: BAS-förlag.
- Bergström, O. (1999) *Från kampanj till process*, Göteborg: CORE.
- Blanpain, R. (1993) *Temporary Work and Labour Law of the European Community and Member States*, Deventer: Kluwer Law and Taxation Publishers.
- Callon, M. (1998) *The Laws of the Market*, Oxford: Blackwell.
- Czarniawska, B. and Sevón, G. (Eds.) *Translating Organizational Change*. Berlin: Walter de Gruyter, 1996
- Davis-Blake, A. and Uzzi, B. (1993) 'Determinants of Employment Externalization: A Study of Temporary Workers and Independent Contractors', *Administrative Science Quarterly*, 38: 195-223.
- Deetz, S. (1992) *Democracy in an Age of Corporate Colonization, Developments in Communication and the Politics of Everyday Life*, Albany: State University of New York Press.
- DiMaggio, P. (1983) 'State Expansion in Organizational fields', in: Hall, R.H. and Quinn, R.E. (ed) *Organizational Theory and Public Policy*, Beverly Hills, CA: SAGE.
- Ekstrand, L. (1996) *Arbetets död och medborgarlön, En essä om det goda livet*, Göteborg: Korpen.
- Feldman, D., Doeringhaus, H. and Turnley, W. (1994) 'Managing Temporary Workers: A Permanent HRM Challenge', *Organizational Dynamics*, 23: 46-63.
- Lepak, D.P. and S.A. Snell (1999) 'The human resource architecture: Toward a theory of human capital allocation and development', *Academy of Management Review*, 24: 31-48.
- Nollen, S.D. and H. Axel (1996). *Managing Contingent Workers: How to Reap the Benefits and Reduce the Risks*. New York: AMACOM.
- Matusik, S.F. and Hill, C.W. (1998) 'The Utilization of Contingent Work, Knowledge Creation, and Competitive Advantage', *Academy of Management Review*, Vol. 23, 4: 680-697.
- McLean Parks, J., D.L. Kidder, and D.G. Gallagher (1998) 'Fitting square pegs into round holes: Mapping the domain of contingent work arrangements onto the psychological contract', *Journal of Organizational Behavior*, 19: 697-730.
- Miles, R.E., and Snow, C.C., (1997) 'The new network firm: a spherical structure built on a human investment philosophy', *Organizational Dynamics*, spring: 5-18

- Pfeffer, J. and J.N. Baron (1988). 'Taking the workers back out: Recent trends in the structuring of employment', in Staw, B.M. and Cummings, L.L. (editors), *Research in Organizational Behavior*, pp. 257-303. Greenwich, CT: JAI Press.
- Polivka, A.E. (1996). 'A profile of contingent workers', *Monthly Labor Review*, 119: 10-21.
- Purcell, J. and Purcell, K. (1998) 'In-sourcing, outsourcing, and the growth of contingent labour as evidence of flexible employment strategies', *European Journal of Work and Organizational Psychology*, Volume 7, No: 1.
- Wikman, A. et.al. (1997) *Nya relationer i arbetslivet – en rapport om tendenser mot flexibla marknadsrelationer istället för permanenta anställningsrelationer*, Stockholm: Arbetslivsinstitutet och Statistiska Centralbyrån.