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Hidden Costs of Flexible Work: Employers' Perception

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Master in Management

Supervisor:

Professor Fátima Suleman, Associate Professor, with habilitation
ISCTE - Instituto Universitário de Lisboa

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**BUSINESS
SCHOOL**

Department of Marketing, Operations and General Management

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“Those who fail to plan, plan to fail” - Winston Churchill

Resumo

Num contexto em que a flexibilidade laboral constitui, cada vez mais, uma escolha das empresas no sentido de diminuir os custos organizacionais e aumentar a sua competitividade no mercado de trabalho, revela-se pertinente estudar a natureza das motivações por detrás da utilização de contratos de trabalho flexíveis, bem como as vantagens e desvantagens associadas a estes tipos de contrato. Esta pesquisa, de natureza qualitativa e exploratória, explora essas dimensões colocando o empregador no centro da análise, perspectiva escassamente investigada. Foram entrevistados gestores de RH de empresas em Portugal (n=8).

A informação empírica, recolhida a partir de entrevistas semi-diretivas, sugeriu que o contrato de trabalho estável continua a ser a opção mais recorrente, em cerca de 77.5%. Já a contratação flexível responde a necessidades muito particulares da empresa, designadamente alterações na procura. Acresce que a transformação de contratos flexíveis para estáveis surge, em alguns casos, como recompensa do bom desempenho dos colaboradores.

As empresas reconhecem vantagens dos contratos flexíveis, bem como algumas consequências negativas. Embora o reconhecimento de custos ocultos não tenha sido explícito, há indicações de preocupações como quanto à motivação dos trabalhadores.

Os resultados obtidos podem ser úteis para as empresas equacionarem as suas opções quanto ao tipo de relação de emprego que pretendem implantar, bem como para elucidar os decisores políticos quanto aos fatores que podem influenciar as escolhas das empresas. Todavia, devem ser analisados com cautela. A amostra é pequena e inclui apenas empresas que se mostraram disponíveis. Apesar disso, abre espaço para futuras pesquisas mais abrangentes.

Palavras-Chave: Flexibilidade do mercado laboral; Contratos de trabalho flexíveis; Perspetiva do empregador; Custos ocultos.

JEL Classification System: J41- Labor Contracts;

M54 - Labor Management.

Abstract

In a context where labor flexibility is increasingly a choice for companies to reduce organizational costs and increase their competitiveness in the labor market, it is pertinent to study the nature of the motivations behind the use of FWA, as well as the advantages and disadvantages associated with these types of contract. This research, of a qualitative and exploratory nature, explores these dimensions by placing the employer at the center of the analysis, a poorly researched perspective. HR managers of companies in Portugal were interviewed (n=8).

The empirical information, gathered from semi-directive interviews, suggested that the stable employment contract remains the most recurrent option, at about 77.5%. Flexible hiring, on the other hand, responds to the very particular needs of the company, namely changes in demand. Besides, the conversion of flexible contracts into stable ones appears, in some cases, as a reward for the good performance of the employees.

Companies recognize the advantages of flexible contracts as well as some negative consequences. Although the recognition of hidden costs has not been explicit, there are indications of concerns such as workers' motivation.

The results obtained may be useful for companies to consider their options as to the type of employment relationship they intend to implement, as well as to elucidate policymakers as to the factors that may influence companies' decisions. However, they should be analyzed with caution. The sample is small and includes only companies that have shown themselves to be available. Nevertheless, it opens space for future more extensive research.

Keywords: Labor market flexibility; Flexible work arrangements; Employers' perception; Hidden costs.

JEL Classification System: J41- Labor Contracts;

M54 - Labor Management.

List of Acronyms and Abbreviations

e.g. – for example

FWA – Flexible work arrangements

GDP – Gross domestic product

HR – Human Resources

i.e. – that is

R&S – Recruitment and Selection

RH – Recursos Humanos

SER – Standard employment relationships

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Introduction

Since February 2020, when the balance sheets and conclusions were drawn after examining the state of the national economy the previous year, according to data provided by the INE (National Institute of Statistics), Portugal has recorded economic growth of 2.2% in 2019, making it the first country in the European Union in terms of growth in the fourth quarter of this last year. This result can be interpreted as the consequence of good results in terms of industrial production, exports, and debt reduction, which allows us to draw a positive conclusion on the robustness and sustainability of the growth of the Portuguese economy.

The data on the unemployment rate is also consistent with these conclusions, recording in 2019 the value of 6.5%, the lowest value in the last 17 years, and close to its natural equilibrium (Pordata, 2020). Although the period between 2015 and 2019 is marked by significant job creation, this is a much more complex issue, and it is hasty to say that the national employment situation is improving in all its aspects. The greatest concern arises when the study comes up against the use of employment contracts in the Portuguese market, and when it finds that the use of traditional and stable contracts has decreased significantly.

This thesis proposes to focus on the issue of labor market flexibility, but from a perspective that is still little explored in the literature. More specifically, this research contributes to this debate by analyzing the motivations of employers to use flexible contracts. Besides, it aims to identify the advantages and disadvantages of different types of flexible contracts. Hidden costs are mentioned in the literature to indicate that there are disadvantages that may not be recognized by firms, or that not all costs may be associated with them (Allan, 2000; Lepādatu, 2011).

While the issue of labor market flexibility has had a prominent place in social science research, the current pandemic context may help to reinforce this interest. The economic crisis caused by a health crisis is thus changing what has been recognized as the positive trend in the Portuguese labor market in recent years, and a deterioration in this direction has already been noted. In particular, the unemployment rate in Portugal, although the data published by Pordata (2020) are still provisional, already show an evolution of this rate to 8.1% in July 2020, which corresponds to an increase of 23.6% compared to February of the same year, considered the last month of the pre-Covid 19 eras.

Olsen and Kalleberg (2004) argue that relatively few studies take an explicitly comparative approach to studying the determinants of organizations' use of non-standard work arrangements and their consequences. Among the studies that do take this approach, the authors

also reveal that few studies focus on organizations as a unit of analysis. Valverde, Tregaskis, and Brewster (2000) suggest that more research is needed in the areas of measuring flexibility and the actual financial costs and benefits of each form of flexibility. Brown and Sessions (2005) found that the relationship between employment contracts and employee attitudes has been fairly and widely explored in the management literature, as well as concerning non-permanent employment and job satisfaction in the applied psychology literature. However, the economic literature has been negligent in identifying the main causes and effects of non-permanent employment (Brown & Sessions, 2005). The authors thus lead us to reflect on the fact that the study of this topic from the worker's point of view has already been sufficiently studied and that the available information regarding the employer's point of view is much more limited.

Moreover, most of the studies identified in the literature as being related to this topic have been developed based on international labor markets, in countries such as the United States (e.g. Houseman, 1997; Kalleberg & Marsden, 2015), the United Kingdom (e.g. Atkinson, 1984; Rubery, Keizer & Grimshaw, 2016), Australia (e.g. Allan, 2000; McBride & Dowling, 1985) or Germany (e.g. Kompier, Ybema, Janssen & Taris, 2009). In this sense, studies of the Portuguese labor market are also much rarer (Kovács, 2004; Portugal & Varejão, 2009), very much associated with the idea that "firms linked to sectors that are more likely to use unstable forms of employment are not willing to collaborate, or only to a very limited extent" (Cerdeira, 2000 quoted by Kovács, 2004, p. 47).

The research questions for which answers are being sought are: What is the nature of the motivations underlying the use of flexible contracts by firms? Is there a link between the types of flexible contracts and specific motivations? To what extent do employers recognize the disadvantages, in addition to the advantages, of flexible contracts? To this end, this research uses a qualitative and exploratory study, based on semi-directive interviews with human resources managers of companies in Portugal (n=8). The collected data is processed through content analysis with previously defined categories, but also others that the empirical analysis has raised.

In this sense, the structure of the present dissertation begins with a literature review concerning the fundamental concepts underlying the subject under investigation. Following is presented the methodology over the study was conducted, including the sample selection criteria and its characterization. It is also provided a detailed explanation of all applied data collection and treatment methods. The third chapter concerns the analysis and discussion of

empirical findings. Finally, some concluding remarks, as well as future research guidelines are presented in the last chapter.

Chapter 1 - Literature Review

1.1. Standard employment relationships

“Employment relations are implicit or explicit contractual arrangements that specify the reciprocal expectations and obligations linking employers and employees” (Kalleberg & Marsden, 2015, p. 1), varying from relational exchanges to transactional ones.

Taken as a reference on the development of labor law, collective bargaining, social security systems and other extensions of the welfare systems, standard employment relationship (SER) was perceived as the norm in many industrial nations for much of the twentieth century, (Kalleberg & Marsden, 2015). SERs involve relational exchanges, relying on labor relations and traditional forms of employment, under employers' control and direction (Kalleberg & Marsden, 2015). They are subject to a regular full-time and open-ended contract with a preset schedule and workplace; pay and another conditions in order to comply with minimum legal standards and reflect laid down norms for certain sector and professional category; extra hours are additionally rewarded (Rubery, Keizer & Grimshaw, 2016), providing of welfare supports, training and career development opportunities, and marked by strict dismissal rules (Kalleberg & Marsden, 2015). Therefore, SERs are based on employment relationship's stability and reflect mutual commitment between employer and employee (Kalleberg & Marsden, 2015). Either way, the term permanent contract is used to describe a contract without a specified duration rather than a contract with one hundred per cent job security (Brown & Sessions, 2005).

Environment is an important contingency factor which affects and influences a company's structure and strategies, such as its HR system (Ghosh, Willinger & Ghosh, 2009).

It was mainly in the late 1970s, early 1980s, that in the United States and in many European countries (Cappelli & Keller, 2013; Kalleberg & Marsden, 2015) an intense globalization has begun (Brewster, Mayne & Tregaskis, 1997), which has resulted in global “changing conditions in political, social, technological, economic environments” (Kalleberg & Marsden, 2015, p. 4) and demographic trends (Lee, 1996). These changes led to an increased uncertainty and competitiveness in environment (Ghosh et al., 2009) and to more fluid capital markets (Brewster et al., 1997; Kalleberg & Marsden, 2015).

All countries faced similar issues regarding greater pressure on firms to quickly adapt and respond to these changing circumstances, and then, maximize their profitability (Brewster et al., 1997; Kalleberg, 2012; Kalleberg & Marsden, 2015).

Interpreted as a normal and predictable tool to achieve more responsiveness (Allan, 2000; Brewster et al., 1997; Lee, 1996), then began a trend to higher mobility of capital and labor (Kalleberg, 2012) and greater demand for flexibility in employment systems by governments and organizations (Kalleberg & Marsden, 2015).

Firm's desire and seek for labor flexibility has affected labor relations within companies and has led them to start changing due to SER's declining attractiveness for employers and consequent decreasing in its use, which tends to become the exception (Allan, 2000; Cappelli & Keller, 2013; Kalleberg & Marsden, 2015).

1.2. Labor flexibility

Flexibility may refer primarily to the deployment of labor to include flexibility in numbers employed, volume of hours and scheduling over the day, week or year. On the other hand, flexibility is also associated with changes in labor costs and reductions in the risks and responsibilities borne by employers. (Rubery et al., 2016, p. 236)

The concept of labor flexibility remains difficult to be accurately explained (Brewster et al., 1997), but it is often defined as the ability and the "business objective to respond rapidly and effectively to the changing demands of the environment" (Valverde et al., 2000, p. 650). According to the author, it can be achieved through different types of flexibility and consequent flexible working practices.

Atkinson (1984) classified work flexibility into three different main types: functional, numerical and financial flexibility; being this the best-known division model of the types of work flexibility. (Valverde et al., 2000).

Functional flexibility is closely linked to the concept of internal mobility and regards to the ability of employees to be quickly and smoothly redeployed between tasks and activities within a same company (Atkinson, 1984). In this way, the company will have a multiskilled and an in-depth knowledge of the company workforce, ready to respond to rapid changes in business and in the market (Valverde et al., 2000). This kind of work flexibility can only be achieved through long-term employment relationships and relates to the establishment of internal labor markets and primary sector employment (Carvalho & Cabral-Cardoso, 2008).

Numerical flexibility is the ability of the firm to quickly and easily increase or decrease their quantity of workers employed in the short term to match changes in the demand and in the business needs (Atkinson, 1984). It is often achieved by using different and short-term types of contracts, varying in the distribution of working time (Valverde et al., 2000) and

resulting in a looser contractual relationship between the firm and the worker (Atkinson, 1984) and in an increase of its externalization (Carvalho & Cabral-Cardoso, 2008). It is associated with the secondary labor market segment, and these workers covered by numerical flexibility have low opportunity to be functionally flexible (Carvalho & Cabral-Cardoso, 2008).

Financial flexibility main seeks to get wages and other labor costs which reflect the state of supply and demand in the external labor market as well as the employees and firm's performance (Atkinson, 1984; Valverde et al., 2000). This type of flexibility means and its achieved through a shift to different remuneration policies and systems, such as assessment-based pay and variable pay systems, profit-sharing policies, and others (Atkinson, 1984; Valverde et al., 2000).

Other hand, Kalleberg (2003) defends the existence of two main kinds of organizational flexibility: internal and external flexibility. The first one is related to functional flexibility previously presented by Atkinson (1984). External flexibility regards to numerical flexibility and the author adds that "organizations can also obtain numerical flexibility by asking or requiring their regular, full-time employees to work overtime" (Kalleberg, 2003, p. 155). As a result of the employers' use of numerical and functional flexibility strategies, arises the division between insiders, subject of standard employment relations, and outside workers, those under non-standard work arrangements (Kalleberg, 2003).

However, Kalleberg (2003) refers some disagreement whether organizations opt for one of these types of flexibility or follow strategies which include both, and there are in the literature different perspectives whether numerical and functional flexibility are alternative or complementary (Cappelli & Neumark, 2004 quoted by Carvalho & Cabral-Cardoso, 2008).

The complementary perspective has become more widely accepted and recognizes the firms' need for multiple and coexisting flexibilities (Sparrow, 1998 quoted by Carvalho & Cabral-Cardoso, 2008).

The most acclaimed and influential approach in this sense was also presented by Atkinson back in 1984 (Brewster et al., 1997; Carvalho & Cabral-Cardoso, 2008). So, Atkinson (1984) proposed the new employment model of the flexible firm, whereby a firm can simultaneously deals with the all three types of work flexibility. This include a dualization of the labor market (Kovács, 2004), by a "internal core-periphery segmentation of the workforce" (Carvalho & Cabral-Cardoso, 2008, p. 333), which consists of dividing workers in a functionally flexible core of full-time and long-term committed workers with high levels of expertise, surrounded by a ring of numerically flexible short-term and not firm-specific peripheral or atypical workers, more exposed to external fluctuations (Allan, 2000; Ghosh et

al., 2009). In this way, "functional flexibility can be developed among core employees while peripheral workers secure numerical flexibility" (Carvalho & Cabral- Cardoso, 2008, p. 334). Both groups, initially considered as relatively homogeneous, can be found at all levels within the firm and a different set of employment policies and strategies can be applied to each groups of workers (Atkinson, 1984; Valverde et al., 2000). The ideal firm is then the flexible firm, which combines different strategies within its structure (Kovács, 2004), so Atkinson (1984) also presented a diagram to illustrate the ideal organizational structure firms should follow.

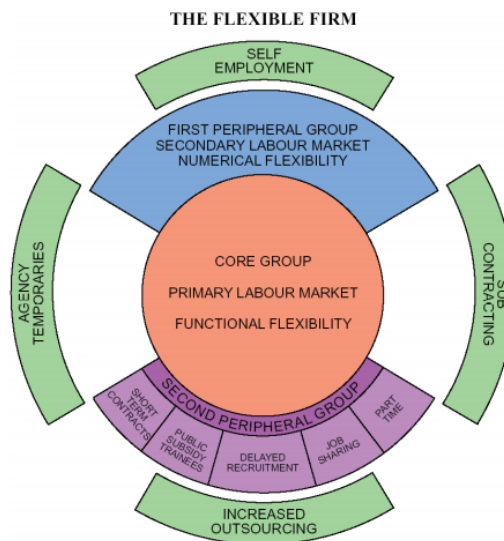


Figure 1.1: The Flexible Firm

Source: Atkinson, 1984: 4

Other studies have come to support the idea that "patterns of internalization and externalization may co-exist within the same organization" (Lautsch, 1996 quoted by Kalleberg, 2003, p. 157).

In some studies, such as Carvalho and Cabral-Cardoso (2008) corroborate the complementarity issue, adding that numerical and functional flexibilities can be simultaneously and interdependently achieved by implementing a single but integrated commitment-based HRM system for the whole workforce, thereby ensuring that firms may obtain numerical flexibility even using full-time permanent employment arrangements and functional flexibility among a more atypical workforce.

However, Kovács' study (2004) diverges from the Atkinson's one (1984), in the extent that the former highlights the trend towards increasing differentiation and heterogeneity of labor situations and forms of employment.

1.3. Non-standard employment relationships

Employers' search for and consequent use of different forms of labor flexibility, especially those that change the nature of the employment relationship, led to a dramatic change in the structure of employment, since numerical flexibility enhances the detachment from the traditional HR management strategies and employment systems until then usually developed based on the assumption of standard employment, using alternative strategies and arrangements (Allan, 2000; Cappelli & Keller, 2013; Houseman & Polivka, 1999; Kovács, 2004; Valverde et al., 2000).

There was a decline in stable, full-time employment in favor of a marked growth of a multiplicity of non-regular forms of employment, being flexibility the common denominator widely spread throughout the economy (Allan, 2000; Kovács, 2004).

For this reason, Kovács (2004) defends the use of the "flexible" term to refer to these forms of widespread employment. Nevertheless, many designations and different labels are found throughout the literature to refer to these non-regular forms of employment, namely, flexible staffing arrangements (Houseman, 2001), market-mediated work arrangements (Abraham & Taylor, 1996 quoted by Olsen & Kalleberg, 2004), contingent work (Polivka & Nardone, 1989), atypical employment (De Grip et al., 1997 quoted by Olsen & Kalleberg, 2004), non-standard work arrangements (Felstead & Jewson, 1999 quoted by Olsen & Kalleberg, 2004), alternative work arrangements (Kalleberg & Marsden, 2015), and non-traditional employment relations (Kalleberg & Marsden, 2015).

Although they have become much more widely used, non-standard employment relations are in any way new: there are many examples in labor markets of swings between relational and transactional employment relations and of already more unstable forms of employment over time (Kalleberg & Marsden, 2015; Kovács, 2004; Polivka & Nardone, 1989).

Nonetheless, these forms of employment have suffered an evolution, moving further away from SER (Kalleberg & Marsden, 2015).

In order to deconstruct and then define the concept of non-standard employment relations, the term "contingent employment arrangement" is taken into account, which was used for the first time in 1985 at a conference by Audrey Freedman, describing it as a conditional and transitory employment relationship motivated by a specific company's need for labor and that entails a lack of attachment between the worker and the employer (Polivka & Nardone, 1989). Following this statement, the concept suffered some developments, in particular, "the operational definition of contingent job has become any arrangement which

differs from full-time, permanent, wage and salary employment” (Polivka & Nardone, 1989, p. 10).

Although this definition has been widespread, due to its broadness, it has shown some inconsistencies. In order to present a better conception, Polivka & Nardone (1989) developed an alternative approach based on job security and variability of hours, defining contingent work as “any job in which an individual does not have an explicit or implicit contract for long-term employment or one in which the minimum hours worked can vary in a non-systematic manner”.

Ghosh et al. (2009), in turn, argue that, by default, it can be considered as non-standard employees, all workers who do not fit the standard employee concept.

1.4. Typologies of FWA

Non-standard employment relations can take several distinct forms (Kalleberg & Marsden, 2015) and it is important to understand what specific arrangements they refer to since a firm’s externalized workforce often includes more than one of these kinds of non-standard employment relations (Kalleberg, 2003).

Across Literature there are also a lot of different designations attributed to these forms of employment, sometimes even several related to the same type of arrangement. The most commonly referred types of flexible work arrangements (FWA) reflect a firm’s workforce which can include:

- Temporary help agency (THAs) employees (Cappelli & Keller, 2013; Ghosh et al., 2009; Houseman & Polivka, 1999; Houseman, 1997; Houseman, 2001; Kalleberg & Marsden, 2015; Kalleberg & Olsen, 2004; Kalleberg & Vallas, 2018; Kalleberg, 2003; Kompier, Ybema, Janssen & Taris, 2009; Kovács, 2004; Lee, 1996; Rubery et al., 2016);
- On-call workers (Cappelli & Keller, 2013; Ghosh et al., 2009; Houseman & Polivka, 1999; Houseman, 1997; Houseman, 2001; Kalleberg & Vallas, 2018; Kalleberg, 2003; Kompier et al., 2009);
- Annualized hours workers (Valverde et al., 2000);
- Zero hours contract workers (Rubery et al., 2016);
- Contract company workers (Cappelli & Keller, 2013; Houseman & Polivka, 1999; Houseman, 2001; Kalleberg & Marsden, 2015; Kalleberg & Olsen, 2004; Kalleberg & Vallas, 2018; Kalleberg, 2003);
- Subcontracted workers (Brewster et al., 1997; Valverde et al., 2000);

- Outsourced workers (Rubery et al., 2016);
- Casual contractors (Allan, 2000; Valverde et al., 2000);
- Independent contractors (Cappelli & Keller, 2013; Ghosh et al., 2009; Houseman & Polivka, 1999; Houseman, 1997; Kalleberg & Vallas, 2018; Kalleberg, 2003);
- Regular self-employed (Ghosh et al., 2009; Houseman & Polivka, 1999; Kalleberg & Vallas, 2018; Kalleberg, 2003; Kovács, 2004; Rubery et al., 2016);
- Direct-hire temporary workers (Cappelli & Keller, 2013; Houseman & Polivka, 1999; Kalleberg & Olsen, 2004; Lee, 1996; Valverde et al., 2000);
- Short-term hired workers (Brewster et al., 1997; Houseman, 1997; Houseman, 2001; Kalleberg, 2003);
- Fixed-term contracted workers (Kalleberg & Marsden, 2015; Valverde et al., 2000);
- Part-time workers (Ghosh et al., 2009; Houseman & Polivka, 1999; Houseman, 1997; Houseman, 2001; Kalleberg, 2003; Kovács, 2004; Rubery et al., 2016; Valverde et al., 2000);
- Teleworkers (Kovács, 2004).

Kompier et al. (2009) also made a distinction between employees with temporary contract but prospect of permanent employment, labelled as "semi-permanent contract" and workers with fixed-term contract without prospect of permanent employment.

1.4.1. Part-time work - a relevant subject to attend for

Although mentioned in the above section, the extent of flexibility in part-time arrangements has been discussed (Brewster et al., 1997) and "controversy exists as to whether all part-time work should be considered non-standard" (Kalleberg & Marsden, 2015, p. 6).

Part-time work is, from a practical and managerial point of view, undoubtedly more flexible than standard full-time work (Brewster et al., 1997) and it is often included in the set of non-standard work arrangements since it can be highly insecure and typically offers fewer benefits, training and career development opportunities or even the expectation of continuity to workers under this kind of arrangements than to standard employees (Cappelli & Keller, 2013; Kalleberg & Marsden, 2015).

Contrarily, it is also common throughout the literature to come across authors who do not include part-time work as a non-standard work arrangement (Kalleberg & Olsen, 2004). Many part-time jobs include all features of SER other than the extent of work at time level

(Kalleberg & Marsden, 2015). Some of these part-time arrangements simply represent adjustments by the employer to employee's preferences for a reduction in working hours (Kalleberg & Marsden, 2015), being the only difference in the employment relationship when compared to a similar but full-time job, precisely, the amount of working hours. Permanent part-time arrangements entail an on-going and stable employment relationship (Allan, 2000) so they are not very flexible (Brewster et al., 1997).

1.5. SER vs FWA

According to Kalleberg and Marsden (2015), non-standard employment relations depart from SER in many ways. They relate to more transactional exchanges, which are mainly instrumental since in some contemporary non-standard employment relations, employers tend to externalize administrative control and legal responsibility over employees to a third party or, in other cases, workers may themselves manage their work, being paid by clients for an exclusive and punctual exchange of services carried out for money (Kalleberg & Marsden, 2015). They often move away from full-time employment, are fixed time framed and present lack of training' opportunities and welfare provisions, carrying no assumption or expectation of continued employment and then entailing little commitment (Kalleberg & Marsden, 2015).

In order to obtain a more detailed conclusion about the main variations of non-standard employment relations from SER, Rubery et al. (2016) developed a comparison and positioning of the types of flexible employment forms identified in relation to SER, thus resulting in the figure 1.2.

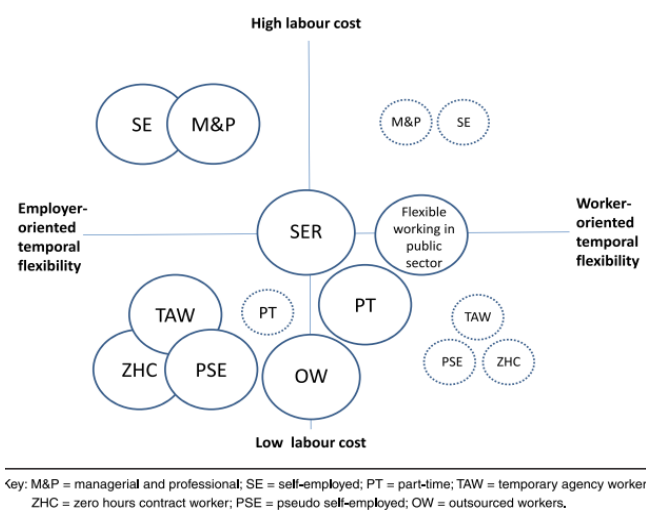


Figure 1.2: Stylised presentation of employment types in relation to temporal and labor cost flexibilities

Source: Rubery et al., 2016: 237

This positioning was based on two dimensions: temporal flexibility, which is defined as “the ability to define and/or adjust employment and working hours” (Rubery et al., 2016, p. 237), and can be worker or employer-oriented; and labor cost flexibility, which measures variations in relation to SER costs (pay, conditions, social security and pensions) (Rubery et al., 2016). Since some “flexible employment forms may simultaneously offer both employer-oriented and worker-oriented temporal flexibility, they may be found in more than one quadrant” (Rubery et al., 2016, p. 237), nevertheless, being referred to in the subsequent analysis only in the quadrant where its concentration is more significant. The authors found that in the top half of the diagram are “groups with relatively strong bargaining power whom employers seek to recruit and retain through individualized pay settlements and distribution of economic rents from high value-added sectors and companies” (Rubery et al., 2016, p. 237). These groups in the top left quadrant usually regard to managers and professionals and self-employed workers, which register highly employer-oriented temporal flexibility and represent higher labor costs to employers when compared with SER due to their higher pay conditions (Rubery et al., 2016). At the top right-hand quadrant, there are mainly cases of self-employed freelances in situation of labor shortage, which also have above standard pay conditions but a more worker-oriented flexible working (Rubery et al., 2016). In contrary, at the bottom of the diagram, particularly in the left-hand quadrant, the found core groups are zero-hours contracts, temporary help agency workers and pseudo self-employment, where working flexibility is driven by employer needs and workers experience lower job security, worse employment terms and conditions, such reduced pay rates and limited pay progression opportunities, and less access to social protection (Rubery et al., 2016). In the bottom right-hand quadrant, where is verified employee-oriented temporal flexibility and poorer terms and conditions, are found those workers just interested in casual work and tends to be concentrated the part-time work (Rubery et al., 2016).

Variations of flexible employment forms from SER may also occur along only one or another dimension. Public sector employees may often negotiate flexible working and still retain SER conditions, verifying variations only in temporal flexibility (Rubery & Rafferty, 2013 quoted by Rubery et al., 2016). On the other hand, in the case of outsourced workers variations from SER may occur only regarding labor costs, since they often Receive lower salary and the conditions are worse despite working standard hours (Rubery et al., 2016).

1.6. Employment regulation

Extreme flexibility policies may tend to see workers as mere company resources, however, obviously they cannot be seen and much less treated in this way, employment regulation both from international and national bodies being fundamental as a measure to protect workers (Berg, 2015 quoted by Suleman, Lagoa & Suleman, 2017).

Employment protection legislation consists in a set of rules and procedures concerning the ability of companies to hire and fire workers (European Commission, 2017).

Its importance for the case of the present dissertation comes to the extent that it does not impede the advancement of workforce flexibility, but limits the actions of employers, for example, in the application, conduction and end of employment contracts.

1.6.1. Portuguese economic scenario

In order to strictly analyze and characterize the Portuguese economic scenario, it is important to pay attention to some indicators that help in this characterization, and even more important, become aware and understand the developments that some of them have been suffering in recent years.

Starting with Gross Domestic Product (GDP), considering the data provided by Pordata (2020) since 2010, there was a decrease in its value from this year to 2011, but the sharpest decrease was from 2011 to 2012, with a variation of -4.43%. This variation may be justified by the unsustainable situation of the Portuguese public debt and the consequent request for assistance from the Portuguese government to the European Union and the International Monetary Fund (IMF) in 2011 (Sumares, 2011). From 2012 to 2019 variance in GDP has always been positive, reaching in 2019 the estimated value of 212,320.6M€ (See Annex A).

Seasonally adjusted data presented by INE (2020), distinguishes for 2020 two important time periods: June, with final results; and July, with still provisional results.

Portuguese active population (aged between 15 and 74 years) totaled 5,038.9 thousand people in June and 5,081.0 thousand people in July (INE, 2020).

Employed population (aged between 15 and 74 years) registered 4,668.6 thousand people in June and 4,671.3 thousand people in July (INE, 2020).

On the other hand, unemployed population (aged between 15 and 74 years) reached 370.3 thousand people in June and 409.7 thousand people in July (INE, 2020).

According to Pordata (2020), the unemployment rate increased considerably from 2008 to 2013, rising from 7.6% to 16.2% and therefore reaching the highest value recorded since 1983, year from which data are available. From 2013 onwards, this value changed its trend and

started to decrease, reaching in 2019 the lowest value recorded since 2003, 6.5% of the active population. Since beginning of 2020, when Covid-19 pandemic spread all over the world, in which Portugal was no exception, as seen before, this value has increased again due to the impact of this health crisis, standing at 7.3% in June 2020 and 8.1% in July (See Annex B).

Also due to this extraordinary situation, according to INE (2020), in the second quarter of 2020 the Labor Cost Index (LCI) increased 13.5% when compared to the same previous periods. This significant acceleration in comparison to the previous quarter can be explained by the strong reduction of hours worked due to the simplified lay-off.

1.6.2. Portuguese labor market regulation

Portugal is often referred as a country where there is evidence of a strict overall employment protection legislation (Kovács, 2004; Suleman et al., 2017).

However, the Portuguese labor market case becomes of greater interest because, despite this rigidity (Kovács, 2004), there are two distinct levels of legislation, with great differences in the legal restrictions on open-end and fixed-term contracts (Centeno & Novo, 2012 quoted by Suleman et al., 2017) and there is relatively low regulation of flexible forms of employment (Portugal & Varejão, 2009).

In Portuguese labor market, the contractual relationship is regulated by the Labor Code which defines, in its Article 11, the notion of employment contract as "that whereby a singular person undertakes, in return for payment, to render his activity to another or other persons, within the scope of organization and under their authority".

In its Section IX, the Labor Code thus provides the existence and use of a range of employment contract types, among them, the resolutive-term contract, which includes both fixed-term and uncertain-term employment contracts, as well as special cases of very short-term employment contracts; part-time work, intermittent work; commission work; teleworking and temporary work. Regarding to stable employment forms, there is, then, the open-ended employment contract, considered under the terms of Article 147 of the Labor Code.

According to European Commission (2017), employment protection legislation focuses on aspects such as the conditions of use of temporary or fixed-term employment contracts, in order to prevent discrimination against workers hired in this way and the misuse of these contracts; the legality of experimental periods, mandatory notice periods and severance pay; the procedural requirements that must be complied with in individual or collective dismissals; and sanctions for unfair dismissal. The main differences in legislation between permanent contracts and flexible ones are detected, especially in the latter aspects.

Gabinete de Estratégia e Planeamento do Ministério do Trabalho, Solidariedade e Segurança Social (Strategy and Planning Office of Ministry of Labor, Solidarity and Social Security) (2019) categorizes the main types of employment contract into three main categories, adding another one for "Other situation". These three categories include “Open-ended employment contracts”, “Fixed-term employment contracts” and “Uncertain-term employment contracts”, with some specific sub-categories for each of them, five related to the first category and four to the second and third ones which are represented in the table 1.1.

Table 1.1: Main types of employment contracts

Open-ended employment contracts	Fixed-term employment contracts	Uncertain-term employment contracts
Open-ended employment contract;	Fixed-term employment contract;	Uncertain-term employment contract;
Open-ended employment contract for the subordinated provision of telework;	Fixed-term employment contract for the subordinated provision of telework;	Uncertain-term employment contract for the subordinated provision of telework;
Open-ended employment contract in service commission;	Fixed-term employment contract in service commission;	Uncertain-term employment contract in service commission;
Intermittent employment contract without term;	Temporary employment contract with fixed-term.	Temporary employment contract with uncertain-term.
Open-ended employment contract for temporary assignment.		

Based on Gabinete de Estratégia e Planeamento do Ministério do Trabalho, Solidariedade e Segurança Social, 2019

1.7. Increasing use of FWA

Although, according to some employers, the unstable forms of employment are little used (Kovács, 2004), the increasing use of flexible employment is an undeniable trend (Lee, 1996). Indeed, data suggest an overall increase in the use of FWA. However, this increase cannot be considered completely inexorable over time since there were also periods of some decline (Cappelli & Keller, 2013).

It is easy to draw conclusions about the percentage of flexible contracts used in the Portuguese labor market when analyzing the data provided by Gabinete de Estratégia e Planeamento do Ministério do Trabalho, Solidariedade e Segurança Social (Strategy and Planning Office of Ministry of Labor, Solidarity and Social Security). Analyzing Table 66 of Quadros de Pessoal do Relatório Único (Single Report Staff Chart) from 2010 to 2018, bearing in mind that the information that matters related to the distribution of employees according to

the type of contract, gathered for the purpose of this dissertation in the table of Annex C, it is possible to obtain the total percentage of use of open-ended employment contracts in the time range considered according to the grouping of the types of contract provided by Gabinete de Estratégia e Planeamento do Ministério do Trabalho, Solidariedade e Segurança Social (Strategy and Planning Office of Ministry of Labor, Solidarity and Social Security), which was explained above in the subchapter "Typologies of FWA" of this Literature Review.

On the other hand, it is easy to obtain the percentage of use of FWA by withdrawing from the total of employment contract types, which represents 100%, the percentage of stable arrangements, i.e. open-ended employment contracts. The results are showed in the table of Annex D. From the analysis of the mentioned table, it is possible to verify an increase of 1.25% corresponding to period of 2010 to 2011 then it slightly decreased from 2011 to 2012 and gradually grew 10.2% from 2012 to 2018. In 2018 the percentage of the use of FWA in Portugal was 36.4%.

“Alternative work arrangements are used extensively, but considerable variation occurs in the use of each of the arrangements” (Cappelli & Keller, 2013, p. 875).

1.7.1. Most widespread types of arrangements in Portugal

Moreover, it is also important to identify what specific types of FWA are most commonly applied, are covered by this percentage, being relevant the analysis of the detailed distribution of all types of employment contract applied in the labor market in a given reference year.

In the specific case of Portugal, in 2004, Kovács pointed out that among the different forms of flexible employment, fixed-term employment contracts, temporary work contracts and part-time contracts can be considered as the most widespread.

The most recent data available so far, are from 2018 and the information from Quadros de Pessoal do Relatório Único (Single Report Staff Chart), released on 13 December 2019, was gathered and worked on, resulting in the table of Annex E. In this year, the percentage of use of fixed-term employment contracts, excluding the temporary employment contract with fixed-term, was 26.6%; the percentage of use of uncertain-term employment contracts, excluding the temporary employment contract with uncertain-term, was 5.8%; and the percentage of use of temporary contracts, including those with fixed-term and uncertain-term, was 3.3%; along with a percentage of only 0.7% for other forms of employment contracts not covered by the previous ones. In this sense, it is possible to conclude that the most widespread forms of flexible employment at the time of the most recent estimates are the fixed-term, uncertain-term and temporary employment contracts.

1.7.1.1. FWA use's variance among sectors

Cappelli and Keller (2013) defend that the use of FWA vary with the specificity of the definition of tasks and job performance requirements, as well with the straightforwardness and ease of their monitoring. The more narrowly defined and easier the monitoring, the more usual are this kind of employment relationships.

Notwithstanding, the predominance of FWA also varies among industries (Houseman, 2001).

Firms operating in seasonal industries with a more competitive environment seem to make a higher use of non-standard work arrangements. (Kalleberg et al., 2003 quoted by Cappelli & Keller, 2013; Ghosh et al., 2009; Houseman, 2001).

In the manufacturing sector, for example, the most usual forms of peripheral employment are temporary help agencies and outsourcing (Atkinson & Gregory, 1986), while those with the lowest incidence are short-term hiring and part-time work (Houseman, 2001).

In the services sector, the use of on-call workers and short-term temporaries is especially high (Houseman, 2001).

1.8. Employment costs

"Managerial decision-making is dependent on appropriate data: information on costs is a necessary input" (McBride & Dowling, 1985, p. 43), which must include costs of human resource activities. Indeed, human resource costs are recorded in firms' accounting systems and can be considerable, therefore important to be considered (Cascio, 2015; Uysal, 2016). In this sense, the discussion on labor costs facilitate the analysis of business behavior since it plays a fundamental role to the effective management of people within an organization (McBride & Dowling, 1985), providing leaders, managers or other executives relevant information (Uysal, 2016) to take specific decisions such to have standard or non-standard employees (Ghosh et al., 2009).

However, "there has been a dearth of information on the true costs of personnel activities" (McBride & Dowling, 1985, p. 43), which makes it difficult to consider, but still very important. The human resource costs to be considered should regard to employees' activities throughout their life cycle in the company (McBride & Dowling, 1985).

First of all, there are the most visible costs of hiring a person or persons, the direct ones, including three levels of complexity presented by McBride and Dowling (1985) (See Annex F):

- "The direct wages/salaries and on-costs associated with the position or positions concerned" (p. 45);
- "The local items supplied for the particular position(s) which would not be available if the position did not exist" (p. 45), such as furniture, equipment, local rest and recreation facilities, or also direct supervision costs;
- "Ancillary company facilities which are non-productive but necessary for either the employee's maintenance, safety or comfort" (p. 45).

Cascio (2015), in turn, refers to overhead costs such as renting, electricity, heating or cooling, as indirect costs.

This consideration of direct costs is then very superficial since it only covers easier costs to tabulate (Cascio, 2015), reported in companies' accounting systems (McBride & Dowling, 1985). In order to avoid taking a decision which ignores some practical options, information only based on visible costs is not enough (McBride & Dowling, 1985). A broader definition includes a full calculation of the costs of employing staff, i.e. it also includes indirect costs of work, reflecting the true cost of a position to the organization (McBride & Dowling, 1985).

Indirect costs of the personnel department are actually the most difficult indirect costs to manage within an organization, since some of these costs are often hidden, for example, in another departmental budgets (Cascio, 2015; McBride & Dowling, 1985).

Recruitment costs, regardless of whether it is done by internal promotion or external recruitment, cover all costs from the decision to employ is made until hired employee 's full efficiency is reached (McBride & Dowling, 1985). They are mainly time costs (McBride & Dowling, 1985) but all cost components of recruitment throughout the different stages that it entails are shown in Annex G.

Training is one of the costs previously linked to recruitment (McBride & Dowling, 1985). However, it is so much more than the initial integration of a new employee since it occurs at all stages of an employee's career within a company, so it covers all forms of employees' improvement, such as on the job training, training for a specific skill or training of soft skills (McBride & Dowling, 1985). Training costs more often considered are cash costs of trainers and materials (McBride & Dowling, 1985). Nevertheless, these also include, for example, work that is not done during the training process and possible mistakes made by the

new entrants during this period and their impact, which can be interpreted as hidden costs (McBride & Dowling, 1985). Training costs components are presented in Annex H.

For cost accounting purpose, absence can be defined as unscheduled absence from duty, such as sick leave or even short absences during working hours (McBride & Dowling, 1985). "The essence of absenteeism is that unscheduled absence creates costs" (McBride & Dowling, 1985, p. 44) as it disrupts the workflow and therefore generates lost productivity and extra demands for other workers to cover the absence. Components of absence costs are discriminated in Annex I.

Turnover concerns the departure of an employee from a company, and it may be voluntary, if the decision to leave is taken by the employee, usually taking the form of resignation; or involuntary, if the decision is taken on the employer's side, including retirement, retrenchment, sacking and death (McBride & Dowling, 1985). Turnover costs can be defined as "the costs of departure, staffing the position (above the cost on a normal basis), replacement and training the replacement to a reasonable standard" (McBride & Dowling, 1985, p. 47) and may vary depending on the cause of turnover. Employee turnover is "one of the largest costs in all different types of organizations, yet it's also one of the most unknown costs" (Blake, 2006, p. 1). Some examples of voluntary turnover costs are those related with termination interviews and farewells, lost investment in recruitment and training, loss of valuable expertise, and costs of filling the position, particularly replacement and new entrant's training costs (McBride & Dowling, 1985). Blake (2006) adds eventual reduced or lost business and also administrative costs. In the case of involuntary turnover, "severance pay is one clear factor that makes dismissals more expensive" (Cappelli & Keller, 2013, p. 893). There also should be considered for instance the cost of sabotage by dissatisfied staff and time costs associated with negotiations with employees (McBride & Dowling, 1985). Costs of both voluntary and involuntary turnover are represented on Annex J.

The area of HR management is a quite regulated area, including in its practice some mandatory activities prescribed by legislation. Firms must adapt to this regulation and develop policies and programs to meet them. Regulation entails costs to organizations and these should be considered since information resultant from the costing process, on a cost-benefit basis, helps companies to assess their programs more critically, to identify potential problems, improve programs' efficiency, or to opt for adoption of other policies (McBride & Dowling, 1985). Regulation related costs lie on costs of such implemented programs, composed by start-up costs, i.e., costs associated with the definition and development of programs, such as the costs of the responsible for these processes and other personnel involved; and continuing costs,

related to monitoring and review of programs, considering, for example, support staff and special computer programs (McBride & Dowling, 1985). McBride and Dowling (1985), give the example of a legally required human resource program in Australia in the year of their study, Affirmative Action Pilot Program, presenting its cost analysis in the table of Annex K.

Hadzima (2005) dedicated his study to understand "How much does an employee cost?" and states that employers also should consider employment taxes as a category of employment costs.

Cascio (2015) defends that other issues that companies should pay attention and explore in order to measure their related costs are employee engagement and attitudes.

In order to lead the statistical calculation of the Labor Cost Index (LCI), a short-term indicator that aims to measure the quarterly evolution of average labor costs per hour actually worked, INE (consulted in 2020) considers, for the purpose of this calculation, that labor costs borne by the employer include "wage costs" and "other costs". The former includes base salary; regular bonus and subsidies; irregular perks and subsidies (vacation allowance; Christmas allowance; end-of-year bonuses/profit sharing; other irregularly paid bonus and subsidies); payment for overtime and payment in kind. For "other costs", are considered severance pay; legal charges borne by the employer (employer's contribution to Social Security; work accidents and occupational diseases insurance); and conventional, contractual and optional charges (supplementary retirement/disability benefit; health insurance; life/ personal accident insurance; social benefits paid directly to worker in case of sick leave).

From the change strategies used by companies in order to optimize their activity and results, positive results may emerge, but a company may also lose energy, human and material resources (Lepădatu, 2011). Due to the nature of their activities, firms often accumulate failures, excessive operating expenses, poor productivity, etc. (Lepădatu, 2011). Lepădatu (2011) defines hidden costs as significant financial results of these losses and failures.

According to the author, hidden costs are difficult to be identified by the classical information system since they are usually included in other costs, as well because firms do not recognize neither evaluate the total costs of these disadvantages. "However, identifying and monitoring these costs is very important because they have a direct impact on the performance of the company" (Lepădatu, 2011, p. 62).

The evaluation of hidden costs is therefore an extra-accountancy procedure, based on very precise determination of dysfunctions, generated by anomalies, disturbances or deviations from certain functionality required by the company, and their consequences (Lepădatu, 2011).

Hidden costs represent the translation of monetary adjustment activities and for their evaluation should be considered five components: over salaries, overtimes, overconsumption, non-production, and non-potential creation (Lepădatu, 2011). Lepădatu (2011) argues that attention should be paid to five main dysfunctions should be considered: absenteeism, labor accidents, staff rotations, quality faults and the reduce of direct productivity.

“An effective management can only be achieved by reconciling the economic and social dimension of the company through the cost method - hidden performance” (Lepădatu, 2011, p. 62).

1.9. Employers’ motivations for use FWA

Analyzing the motivations behind the use of FWA is reflecting on the reasons that lead employers to choose this type of contracts, over the stable ones. However, these reasons can often go beyond the reasons actually mentioned by employers when asked why they use it.

Houseman (1997) dedicated his study to "why employers say they use flexible staff arrangements".

“When asked why they use various types of flexible staffing arrangements, employers most commonly cited reasons concerning fluctuations in workload” (Houseman, 1997, p. 1). Indeed, “all non-standard work arrangements are used to meet variations in demand” (Cappelli & Keller, 2013, p. 892) by adjusting staffing levels to uncertain fluctuations or other non-systematic changes in their workload over the day, week, month, or year and thereby avoid the need to continually maintain peak workload staffing (Houseman, 2001; Polivka & Nardone, 1989). Thus, FWA “can be used to supplement the regular workforce during peak demand periods” (Allan, 2000, p. 198) and the end result will be the needed workforce always exactly matching the actually employed (Atkinson, 1984; Valverde et al., 2000).

Also in the context of Houseman's study (1997), the second reason most frequently mentioned as motivating this use is related to absences of regular staff. Previously, Polivka and Nardone (1989) have also mentioned the usefulness of these arrangements to cover planned - such as vacations - and unplanned changes on labor supply of permanent staff - as sick leave or to take care of a family member. Employers thereby often opt for temporary replacement (Portugal & Varejão, 2009) instead of “overstaff or pay regular workers overtime” (Houseman, 2001, p. 155). In 2001, Houseman added that the use of FWA with this purpose falls mainly on "workers from temporary help agencies or from in-house on-call pools" (p. 155).

Furthermore, firms may use FWA to screen potential workers for regular permanent positions (Houseman, 2001; Polivka & Nardone, 1989; Portugal & Varejão, 2009), usually using temporary help agency workers to this purpose (Houseman, 1997). From claiming the intention of eventually pass initially hired under FWA's employees to permanent positions, to actually change their contractual conditions is still a big step, often not happening this change despite the supposed initial intention to do so. Houseman's study (1997) provides evidence of some mobility from FWA such as temporary help agency contracts into regular positions. However, “relatively few employers report “often” promoting these workers, and, for most types of flexible workers, most employers report seldom or never moving them into regular positions” (Houseman, 1997, p. 3). In the specific case of Portugal, “the estimated probability of a fixed-term contract being converted to permanent is 18.6%” (Portugal & Varejão, 2009, p. 19).

Costs issue must be undoubtedly mentioned, more specifically, control, containment and consequent cost savings as one of the main reasons why employers opt for use FWA (Polivka & Nardone, 1989; Portugal & Varejão, 2009). Indeed, firms “need flexible use of labor, and in particular time and contractual flexibility, in order to ensure the most economic use of labor” (Brewster et al., 1997, p. 98). Likewise, Houseman (2001) stated that firms may use FWA in order to minimize costs for several reasons.

“These savings occur primarily because of savings on benefit costs” (Houseman, 1997, p. 1). Workers filling contingent positions typically receive lower wages and few or no benefits (Houseman, 1997; Polivka & Nardone, 1989). Regarding benefits, temporary help agency workers, for example, did not have to be included in the companies’ retirement and pension plans (Mitlacher’s, 2007 quoted by Cappelli & Keller, 2013). The use of FWA can be perceived as a way for firms to segment their workforce (Houseman, 1997). On one hand, these arrangements can be used to firms offer costly benefits only to certain segments of the workforce, without facing legal problems of discrimination among permanent workers (Houseman, 1997). According to the author, screening plays a fundamental role in the selection of these segments. On the other hand, employers may also use flexible staffing arrangements to provide certain groups of workers with lower wages and avoid paying benefits, with minimal adverse ethical effects and without losing the preferential tax status of the benefit plans (Cappelli & Keller, 2013; Houseman, 1997; Houseman, 2001). Employers are aware that the hourly labor costs of workers in FWA are lower than those of permanent workers in similar positions, but despite this evidence, they “seldom say that they use flexible staffing arrangements in order to save on wage and benefit costs” (Houseman, 1997, p. 1). This may be

the reason for the little support found by Cappelli and Keller (2013) for the idea that the use of FWA is driven by cost savings.

Houseman et al. (2003) highlighted the use of FWA in order to avoid increasing wages of permanent employees (quoted by Cappelli & Keller, 2013).

Polivka and Nardone (1989) refer the intention to reduce administrative costs using atypical contracts.

Through FWA, it is also possible to reduce costs by eliminating some expenses which would be incurred to the firm when recruiting a new worker in a regular contractual basis, such as personnel and training costs, which may be the intention behind their use (Polivka & Nardone, 1989).

Employers may intend to hire non-standard workers to cover eventually necessary overtime hours and, then, avoid overtime pay rates (Cappelli & Keller, 2013).

Firms may “hire contingent workers because they want to save on future dismissal costs, regardless of their origin” (Portugal & Varejão, 2009, p. 1) due to lower easiness of releasing a resource under a permanent arrangement and to the higher costs generally related to it (Cappelli & Keller, 2013).

Polivka and Nardone (1989) argue that, especially in the case of firms in which the demand can vary in a systematic way, “the largest cost savings result from the reduced time that paid workers are idle or work at less than full capacity” (p. 12).

Firms can also save money and time by hiring staff through temporary help agencies if these agencies follow economies of scale and assure firms a steady and cheaper supply of screened and trained workers (Houseman, 2001; Polivka & Nardone, 1989).

Outside the direct scope of cost reduction, another purpose of hiring high-wage jobs under non-standard arrangements is to avoid perceptions of internal inequality (Davis-Blake, Broschak, & George, 2003 quoted by Cappelli & Keller, 2013).

Employers sometimes appear to hire workers under FWA to undertake special tasks or projects (Allan, 2000; Houseman, 2001).

A contingent basis arrangement can also be applied to reach unwilling or unable to accept permanent arrangements workers, which is especially important when there is a shortage of labor in a certain area or job (Polivka & Nardone, 1989).

Another common reason is the aim to attract highly and special skilled workers, by adjusting their desires for FWA in order to access to their expertise (Houseman, 2001; Polivka & Nardone, 1989) and keeping them (Kalleberg & Marsden, 2015).

“Contingent arrangements also can help firms insulate a core of permanent employees from lay-offs” (Polivka & Nardone, 1989, p. 12)., i.e., protect the employment of permanent staff and, then, safeguard the investment already done in these workers.

Employers may yet turn to FWA to ensure needed assistance while bypassing the headcount limits imposed during a firm’s restructuring or merger (Houseman, 2001).

In view of the aforementioned so far, the first proposition of this study is that there is a multiplicity of motivations that lead employers to use FWA. Among these motivations are found:

- Economic motivations, which include motivations such as meet variations in demand and workload, cover changes on labor supply of permanent staff, screen potential workers for permanent positions, avoid increasing the wages of permanent employees, reduce administrative costs, reduce personnel and training costs, avoid overtime pay rates, save on future dismissal costs, decline in number of paid idle hours and assure a steady and cheaper supply of screened and trained workers;
- Motivations related to workforce segmentation, such as offer costly benefits only to a certain segment of the workforce, provide certain groups of workers with lower wages, avoid paying benefits, avoid perceptions of internal inequality and protect employment of permanent staff;
- Motivations related to innovation and change, in order to undertake special tasks or projects and help firm to overcome restructuring or merger situations;
- Motivations related to company's attractiveness, more specifically, attract and retain special skilled workers and give in to the candidates' demands to join the company.

Houseman (2001) therefore concluded that employers mainly quote their FWA use because they need workers for less hours or for limited periods of time, which contributes to the idea of instability associated with these types of contracts. Following his study of 2001, the author also analyzed the relationship of the motivations mentioned above with the use of each type of contract considered by himself.

<i>Reason</i>	<i>Agency Temporaries</i>	<i>Short-Term Hires</i>	<i>Part-Time Workers</i>	<i>On-Call Workers</i>
<i>Reasons related to specific staffing or scheduling needs:</i>				
Fill vacancy until regular employee is hired	46.6	20.5	—	26.0
Fill in for absent regular employee who is sick, on vacation, or on family medical leave	47.0	30.0	—	69.3
Seasonal needs	28.1	54.8	—	29.3
Provide needed assistance during peak-time hours of the day or week	14.2	—	62.4	37.3
Provide needed assistance at times of unexpected increases in business	52.2	31.0	—	50.7
Special projects	36.0	37.6	20.8	26.0
Provide needed assistance during hours not covered by full-time shifts	—	—	48.7	—
<i>Other reasons:</i>				
Screen job candidates for regular jobs	21.3	9.0	14.7	8.0
Save on wage and/or benefit costs	11.5	8.1	21.3	6.0
Provide needed assistance during company restructuring or merger	7.5	6.2	—	6.0
Fill positions with temporary agency workers for more than one year	5.1	—	—	—
Save on training costs	5.1	—	—	—
Special expertise possessed by this type of worker	10.3	15.7	—	16.0
Accommodate employees' wishes for part-time hours	—	—	54.1	—
Unable to find qualified full-time workers	—	—	11.4	—
Sample Size	253	210	394	150

Figure 1.3: Reasons for using flexible work arrangements (percent citing factor as important)

Source: Houseman, 2001: 158

Thus, it is also proposed that the motivations of employers for the use of FWA vary from type to type of FWA.

1.10. External factors that can influence employers' use of FWA

There are a range of external factors that can influence employers' use of FWA.

Since 1976, when the use of fixed-term contracts was legally approved in Portugal, labor legislation has undergone several changes (Suleman et al., 2017).

Legislation is often designed in order to protect workers, however, sometimes it may inadvertently increase employers' demand for FWA (Houseman, 2001; Polivka & Nardone, 1989).

In recent years, some measures have been implemented in the Portuguese labor market that can be interpreted as having the purpose of reducing the excessive use of non-permanent contracts and promoting open-ended hiring.

Law no. 93/2019, of September 4, brought the most recent changes to the Labor Code. Among these new rules, which, with some exceptions, apply to already existing contracts, are found:

- reduction of the maximum duration of fixed-term contracts from 3 to 2 years (Article 148, no. 1) and of uncertain-term contracts from 6 to 4 years (Article 148, no. 5);
- limitation of the total duration of the 3 renewals of the fixed-term contract, which cannot exceed the initial duration of the contract (Article 149, no. 4);
- reduction of the reasons for the conclusion of fixed-term contracts (Article 140, no. 4, paragraph a) and b));
- implementation of a minimum of training hours per year for resolutive-term contract workers hired for a period of 3 months or more, this minimum being proportional to the duration of the contract in that year (Article 131);
- introduction of a maximum limit of 6 renewals for temporary work (Article 182, no. 2), except if the reason for concluding the contract is the replacement of worker absent due to illness, accident, parental leave and other similar situations (Article 182, no. 3);
- extension of the causes of nullity of temporary work contract (with the amendment to Article 177, no.5);
- mandatory coincidence of the reasons for conclusion of contract for the use of temporary work (between temporary help agency and the user company) and the reasons for concluding the temporary work contract (between temporary help agency and the worker) (Article 181, no. 1, paragraph b));
- automatic transformation of irregular assignment of temporary workers into permanent employment contracts between the assigned worker and the user company;
- extension of experimental period from 90 to 180 days in case of open-ended hiring of workers seeking their first job or long-term unemployed (Article 112, no. 1, paragraph b)), being included in this period the duration of professional internship if the same activity has been carried out at the same employer (Article 112, no. 4).

In a slightly more direct way, some support and incentives are directed to the employers.

Hiring support managed by Instituto do Emprego e Formação Profissional (IEFP) (Employment and Professional Training Institute) aggregates a set of measures consisting of the attribution of financial support to firms that conclude new open-ended employment contracts or convert others already existing into open-ended contracts, foreseeing this entity for 2020 measures such as the Incentive Measure ATIVAR.PT, CONVERTE+, Promotion of Gender Equality in the Labor Market and Contract-Generation.

Furthermore, the Government, through Instituto da Segurança Social (Social Security Institute), provides other incentives to make open-ended employment more attractive to employers, more specifically, incentives at the level of exemption or reduction of contributions to be paid by firms that they can benefit in case, similar to the support mentioned above, of new open-ended employment or conversion of existing fixed-term contracts.

1.11. Advantages of using FWA

“Operating different kinds of flexibility seems to have direct and inevitable impact on the management of people in organizations” (Gallie & White, 1994; Rubery, 1994; Knox & Walsh, 2005 quoted by Carvalho & Cabral-Cardoso, 2008, p. 332).

In numerical terms, flexible forms of employment are ambiguous, they carry both risks and opportunities, they can either bring advantages and disadvantages to the individuals involved and to society in general (Kovács, 2004).

The use of FWA potentially benefits firms (Houseman, 1997). Analyze these potential advantages in employer's perspective is highly related to the motivations behind their use of these arrangements, since they are the reasons making FWA desirable for firms.

Atypical employment gives firms greater flexibility to adjust their workforces to uncertain fluctuations in market conditions and demands and changing demographic (Olsen & Kalleberg, 2004; Polivka & Nardone, 1989), and, then, more easily match working time to business activity (Allan, 2000; Valverde et al., 2000).

"Workers on non-standard contracts are often more productive" (Brewster et al., 1994 quoted by Valverde et al., 2000, p. 654). Through this type of contracts, it is easier to remunerate based on performance, that is, it is the productivity that will determine the final remuneration of each employee (Lee, 1996). In this way, workers will strive for better performance and the result will be a more productive staff (Houseman, 2001). Furthermore, part-time workers are less affected by exhaustion and make a greater effort during their engagement, which can also contribute to increasing organizational productivity (Lewis, 1990; Horning et al., 1995 quoted by Allan, 2000; Brewster et al., 1994 quoted by Valverde et al., 2000).

Regarding the absenteeism rate, in the particular case of part-time workers, this is often lower (Lee & Hoon, 1993 quoted by Allan, 2000).

FWA, such as temporary help agency workers, allow employers to dismiss workers who are not suitable for the job and hire into regular arrangements only those who prove to be for the duration of their flexible contract (Cappelli & Keller, 2013).

It is much easier to end the relationship and terminate the contracts between a non-permanent employee and the firm than with permanent employees (Cappelli & Keller, 2013; Bielenski et al., 1992; Curson, 1986 quoted by Valverde et al., 2000) with minimal risk of legal repercussions (Houseman, 2001), such as “the risk of being sued in case of laying-off a large number of workers” (Polivka & Nardone, 1989, p. 13), which can be particularly useful in the downturns (Allan, 2000).

“There are also potential advantages in the capacity of flexible work to attract or retain skilled and trained personnel who otherwise - through family commitments for example - would be unable to join the workforce” (Brewster et al., 1994 quoted by Valverde et al., 2000, p. 654).

The use of FWA to fill non-essential functions, especially through outsourcing, enables companies to focus more on their key skills and core businesses due to the transfer of responsibilities over employees (Olsen & Kalleberg, 2004).

Brewster et al. (1997) defend that the major benefit of the use of FWA for employers lies in the transfer of cost and risk from the firm to workers and to the state, as well as in reductions in responsibilities borne by employers (Rubery et al., 2016).

Indeed, numerical flexibility represents a cost-cutting approach (Carvalho & Cabral-Cardoso, 2008), and it is clear that “there are a range of cost savings to be achieved by utilizing non-standard employment” (Allan, 2000, p. 189), resulting possibly many of them from the above-mentioned advantages.

FWA can reduce the fixed costs of having workers engaged to the organization. For example, in a long-term view, non-permanent workers often receive fewer salary increments (Allan, 2000), which will also mean future savings.

Firms pay workers in some FWA, such as temporary help agency workers, less than to workers in comparable jobs and permanent arrangements, which allows employers to lower their wage bill (Allan, 2000; Cappelli & Keller, 2013).

Through employers’ use of FWA, labor is paid only as and when necessary (Allan, 2000) allowing organizations to adjust the pay bill to the actual amount of work (Cappelli & Keller, 2013) and producing direct saving due to the decrease of paid idle hours.

When firms use FWA in order to supplement the work of permanent workers, they are avoiding paying overtime rates (Cappelli & Keller, 2013), and once these non-permanent

workers often receive a lower hourly rate (Valverde et al., 2000), employers can save costs this way.

“The most important compensation savings may concern the provision of benefits” (Cappelli & Keller, 2013, p. 891). Employers are not required to give non-permanent employees the same, if any, fringe benefits, such as paid vacations and holidays, paid sick leave, retirement pensions, and health insurance, as to full-time employees (Cappelli & Keller, 2013; Houseman, 1997; Valverde et al., 2000), so employers may restrict benefits to certain workers (Houseman, 2001) and then, save on these costs (Allan, 2000; Portugal & Varejão, 2009).

“In some cases, employers may be able to pay less, or no, payroll tax or superannuation contributions” (Lewis, 1990 quoted by Allan, 2000, p. 189) also due to their use of this type of atypical contracts.

In addition to the ease of ending contracts with non-standard employees, these ends are also much less costly for firms (Bielenski et al., 1992; Curson, 1986 quoted by Valverde et al., 2000), presenting a lower fixed exit costs (Ghosh et al., 2009) and not existing the added expense of terminating the contract when the work ends (Brewster et al., 1997 quoted by Valverde et al., 2000), or, if the decision to end the contract before its termination date is taken by the company, the severance pay is considerably lower.

Firms can also save on the fixed costs of recruiting and hiring a new worker (Cappelli & Keller, 2013). However, there are exceptions such as part-time work, since "fixed costs of recruiting and hiring new workers may be similar for full- and part-time positions" (Cappelli & Keller, 2013, p. 877).

The strategy of applying an FWA, as temporary help agency workers, as a means of screening, instead of an employee direct entry into the company with a permanent contract, avoids, in case of the second scenario, the risk of the new entrant not matching the function and having a poor or mediocre performance, proving to be necessary to fire him, so this strategy avoids all these eventual costs of not taking advantage of resources in face of the investment made, and dismissal costs of this permanent worker, which are, by themselves and as already explained, more expensive (Ghosh et al., 2009; Houseman, 2001).

All these reductions in direct labor costs help to enhance organizational profitability (Allan, 2000; Valverde et al., 2000), noting a higher and sustained financial growth in firms with a greater proportion of FWA (Ghosh et al., 2009).

1.12. Disadvantages of using FWA

On the other hand, and despite all the advantages that can be recognized in relation to the use of FWA, less discussed but not less important, are the disadvantages for the employer arising from a more flexible workforce (Allan, 2000; Kalleberg, 2003).

These disadvantages may, in some points, seem contradictory to the advantages listed above, however, this is due to the fact that the impacts of the use of FWA may vary from company to company, as well as within the same firm among different employees, having for some a positive effect, but for others a negative one.

Furthermore, the negative consequences of flexible employment are not exactly the same, or at least not at the same extent, for all forms of flexible employment. The weaker and more unstable the employment relationship between the employee and the employer, as in the case of temporary help agency or casual contracts, homeworking, temporary or contract company work, the more problems and disadvantages may arise to the company (Allan, 2000).

One of the main consequences that can be pointed out as arising from the use of FWA is the undermining of HR initiatives designed to foster employee commitment and development (Blyton, 1996 quoted by Allan, 2000), since non-standard workers often have a much lower level of attachment to the organization and hence commitment (Allan, 2000). This low commitment by non-permanent employees (Valverde et al., 2000) can lead to problems of communication, turnover and confidentiality (Allan, 2000).

Important issues can be detected regarding difficult communication, not only between workforce groups (Allan, 2000) as well between managerial and non-managerial employees (Hunter & McInnes, 1992 quoted by Valverde et al., 2000).

There is likelihood of permanent workers considering non-permanent employees as a threat to their employment (Lee & Hoon, 1993 quoted by Allan, 2000). On the other hand, regular staff may often have to work more and harder to cover non-standard workers' shortcomings, increasing their workload and becoming dissatisfied (Allan, 2000). Permanent employees may also feel resentment seeing highly qualified specialists being hired temporarily with higher compensations (Brewster et al., 1997 quoted by Valverde et al., 2000). These are some examples of cases where the use of FWA may create conflicts between workforce groups and thereby undermining and diminishing teamwork and co-operation (Allan, 2000; Kalleberg, 2003).

FWA's use can lead to lower employee trust (Pearce, 1993 quoted by Olsen & Kalleberg, 2004), which can be translated into lack of loyalty among non-standard workers to their employers (Nelson-Horchler, 1987 quoted by Polivka & Nardone, 1989) and result in

problems of confidentiality by these workers. In this way, some forms of FWA, such as part-time arrangements, are perceived as less committed to the organization and more difficult to manage (Allan, 2000).

All these factors, contrary to the above-mentioned advantages, may lead some companies to feel their workforce productivity negatively affected due to the use of FWA (Nelson-Horchler, 1987 quoted by Polivka & Nardone, 1989). Rubery et al. (2016) also reinforced the idea that more flexible labor markets may undermine and then reduce firms' long-term productivity.

“These workers often receive lower levels of training” (Allan, 2000, p. 199), which, along with employees' less experience and poor motivation, can lead to a deterioration in quality standards of products or services provided (Deery & Mahony, 1994; Probert, 1995 quoted by Allan, 2000), which means that the use of FWA may also undermine broader strategies focused on quality and customer service (Blyton, 1996 quoted by Allan, 2000).

Lack of training, particularly regarding job safety aspects, may also have negative impact on the health and safety of workers (Allan, 2000), with a higher rate of work accidents amongst temporary employees (Francois, 1991; Aparicio-Valverde & Masip, 1996, quoted by Valverde et al., 2000).

Another negative consequence is the undesired high voluntary staff turnover (Valverde et al., 2000). In fact, “turnover rate for atypical workers is generally higher than that for standard employees” (Lee & Hoon, 1993 quoted by Allan, 2000, pp. 189-190).

When using temporary help agency work, the normal recruitment and selection procedures of the host company are not being followed, and these firms have no power of decision over the selection of their future workers, which can lead to problems of matching employees' effective skills and abilities and host firm's requirements (Allan, 2000).

Non-standard workers are often not fully integrated in training systems which can lead to skill and talent retention problems (Blyton, 1996 quoted by Allan, 2000).

Although FWA stand out for the possibility of cost savings, they also inevitably bring some associated extra costs. According to Ghosh et al. (2009) having more non-standard employees entails excessive costs.

Most of the already mentioned disadvantages may even mean costs for firms, which is a disadvantage of using this type of contracts. Some of these costs are widely recognized, others are considered as less tangible (Allan, 2000).

When FWA are used for hiring highly qualified specialists who will carry out important but less frequently required tasks, these specialists can demand high pay rates, which may lead

to a temporary increase of firm's wage bill (Brewster et al., 1997 quoted by Valverde et al., 2000).

Using temporary help agencies as well as HR consulting companies, host companies will always have to pay the profit margin associated with the service provided by these companies, representing this paid margin an increased cost for the service beneficiary companies (Peck, Theodore & Ward 2005 quoted by Cappelli & Keller, 2013).

Employing on a part-time basis often means hiring a higher volume of workers, entailing higher administrative costs, for example in terms of record maintenance, payroll calculation and supervision (Brewster, 1995; Lewis, 1990 quoted by Allan, 2000).

In order to hire more workers, firms still need to count with higher capital costs for the provision of space and equipment for these higher number of employees (Lewis, 1990 quoted by Allan, 2000).

Since there is a higher rate of work accidents in this type of contracts, "this may mean high costs for sick payments and compensation for damages" (Valverde et al., 2000, p. 654).

High voluntary staff turnover leads to increases in recruitment costs, as recruitment and selection processes become more recurrent (Allan, 2000; Valverde et al., 2000). In temporary help agency work cases, the issue of employees' skills not matching firm's requirements may cause the hired workers not to adapt, and the company may need to dismiss them, having the whole recruitment and hiring process to be repeated, and therefore ending up being more expensive.

As a result of the lack of allegiance and voluntary turnover of non-permanent workers midcontract, there may be also problems and costs related to disruptions in work programs (Hunter et al., 1993 quoted by Valverde et al., 2000).

There are also high costs related to not providing minimum acceptable levels of quality (Allan, 2000), for example, regarding loss of clients or business opportunities.

In this sense, the last proposition of this study is based on the fact that employers recognize the existence of disadvantages as arising from the use of FWA, as well as perceive their division between consequences with negative impact on the company and, on the other hand, increased direct costs.

Allan (2000) also presented that "there are a number of hidden costs involved in using non-standard employment that are not commonly taken into consideration" (p. 188), highlighting the negative effects that FWA can have on work relations and employees' motivation.

Chapter 2 – Methodology

2.1. Research design

The focus of this study is related to employer's perspective regarding labor market flexibility. It is important to know how employers perceive and feel this flexibility, which leads them to opt for this type of contractual typology, and to what extent flexible forms of employment meet or not their expectations. The study of flexible forms of employment requires a qualitative approach (Kovács, 2004), so the present research followed a qualitative methodology.

2.2. Sample

Although it is difficult to determine the sample to be considered to achieve a fully representative sample of the population, the Portuguese labor market, is intended to be as varied and reliable as possible, in order to enhance the achievement of valid results and conclusions, as well as the generalization of the study.

In this sense, to make a conscious and sustained sample selection, Table 68 (Employees, by economic activity, according to the type of contract) of Quadros de Pessoal do Relatório Único (Single Report Staff Chart) of 2018 was analyzed and, in order to make its interpretation easier, was developed the table of Annex L.

In the first instance, through its analysis, it is possible to observe that the economic activities that present a higher utilization rate of open-ended contracts are "Electricity, gas, steam, hot and cold water, and cold air" (93.7%) and "Financial and insurance activities" (91.4%).

In relation to economic activities that register a lower percentage of use of open-ended contracts, i.e., they stand out for their greater use of FWA, are the "Administrative and support service activities", with only 36.6% of stable contracts, and the "Accommodation, restaurants and similar", with 47.7% of open-ended contracts.

Beyond the extremes, it is also pertinent to analyze contexts of economic activities where the distribution of open-ended contracts and FWA is not so disparate, opting for "Information and communication activities", where the percentage of open-ended contracts is 74.6% and therefore that of FWA is 25.4%, and for "Wholesale and retail trade, repair of motor vehicles and motorcycles", which shows a percentage of 67.3% of open-ended contracts and 32.7% of FWA. This last activity, the "Wholesale and retail trade, repair of motor vehicles and motorcycles" is also the activity where there is a higher percentage of companies (25.8%) and establishments (28.4%), according to Quadro Síntese dos Quadros de Pessoal de 2018 (2018

Summary Table of Staff Chart) (Gabinete de Estratégia e Planeamento do Ministério do Trabalho, Solidariedade e Segurança Social (Strategy and Planning Office of Ministry of Labor, Solidarity and Social Security), 2019). It was also considered the activity of the Manufacturing Industries, which has an open-ended contract utilization rate of 71.8% and which, besides being interesting to analyze for being mentioned in the Literature, is also, according to Quadro Síntese dos Quadros de Pessoal de 2018 (2018 Summary Table of Staff Chart) (Gabinete de Estratégia e Planeamento do Ministério do Trabalho, Solidariedade e Segurança Social (Strategy and Planning Office of Ministry of Labor, Solidarity and Social Security), 2019), the economic activity where there is a higher percentage of people in service (21.7%).

After selecting the seven different contexts of economic activity mentioned above, the Portuguese Classification of Economic Activities (CAE) Rev. 3 of INE (2007) was used to analyze the subclasses that each activity covers and thus carry out the selection of firms to be approached.

The first approach to the target companies was via e-mail. In this e-mail, a description of the context of the request for collaboration was presented, more specifically, the scope and objective of the study, and the role and relevance of each company's contribution. Given the delicate nature of the study of the internal costs of a certain organization, in order to avoid constraints and those companies were not comfortable with sharing this type of information and therefore refused to collaborate from the outset, they were told that the focus of the study would be the advantages and disadvantages of applying FWA, which included the costs associated with these contractual modalities. It was thus considered that not deviating the apparent intention of these interviews from the actual focus of this investigation, this less direct approach would increase the chances of obtaining a positive response from the companies approached.

A total of 134 companies have been contacted at this stage: 17 companies related to the "Administrative and support service activities", 32 related to the "Accommodation, restaurants and similar", 22 related to the "Wholesale and retail trade, repair of motor vehicles and motorcycles", 29 inserted in the "information and communication activities", 7 related to the "Electricity, gas, steam, hot and cold water and cold air", 16 related to the "Financial and insurance activities" e 11 related to the "Manufacturing industries".

Of these 134, they responded positively, also via email, demonstrating their willingness to collaborate with this study, 8 companies: 2 companies whose economic activity is included in "Administrative and support service activities", 1 in "Wholesale and retail trade, repair of

motor vehicles and motorcycles", 2 in "information and communication activities", 1 in "Electricity, gas, steam, hot and cold water and cold air" activities, 1 in "Financial and insurance activities" and finally 1 in "Manufacturing industries".

2.3. Data collection

Since this is not only a delicate topic but also quite complex, the empirical information was collected through semi-structured interviews.

In order to prepare these interviews, after a framework with the available literature, the interview script was developed (See Annex M).

It was defined at the beginning that this script would be directed to those responsible for the contractual management of each company. Although it was considered the possibility of developing another script and interviewing employees of the target companies under FWA, in order to understand how they live this flexibility and how it can influence their attitude towards the company and the performance of the function, it was decided not to do so, in order not to run the risk of biasing the focus of this study. Thus, this intention was taken into account in the elaboration of a unique script, in order to try to measure the answer to these questions when interviewing a single element representing the employer, capable of assuming the perception of the company regarding all these themes. In this sense, the script intended to focus on two main dimensions: the identification of the direct impacts of the application of FWA to companies, and the understanding of how, less directly, certain aspects related to the more operational context can impact organizations.

The script was then structured on 8 main topics:

- Clarification of the FWA concept - what kinds of contract it covers, from the perspective of each firm;
- Characterization of the firms - size, in terms of number of employees;
- Characterization of the firms' contractual management strategy - types of a contract signed, incidence of each type of arrangement, preference of application when new recruitment need, strategy or contractual methodology;
- Costs associated with hiring a new employee - costs considered transversal regardless of the type of contract in question;
- Motivations behind the use of each type of FWA;
- Advantages resulting from this use;

- Disadvantages that may arise from this - by segmenting into negative consequences and direct costs;
- Hidden costs - measured through variables such as the R&S process, training, compensation, social charges, employee productivity, talent retention program, turnover and absenteeism.

Before its application to the elements distinguished for this purpose by the companies that presented themselves available to collaborate, the interview script was also subject to some changes after a pilot interview. This first interview was applied to an HR professional, not part of the sample, so as not to make it impossible to account for the results of one of the eight companies available. Through this, it was possible to identify some questions that could be improved, mainly at the level of fluidity with which the interview took place, and then some changes were made regarding the order of the questions.

Even before the interviews, of the interviewed companies it is known the information compiled on the table below, which intends, thus, to characterize the sample.

Table 2.1: Sample characterization

	F1	F2	F3	F4	F5	F6	F7	F8
Economic activity	Administrative and support service activities	Administrative and support service activities	Wholesale and retail trade; repair of motor vehicles and motorcycles	Information and communication activities	Information and communication activities	Electricity, gas, steam, hot and cold water and cold air	Financial and insurance activities	Manufacturing industries
CAE subclass	Call center activities	Activities of personnel selection and placement companies	Non-specialised retail sale not involving the predominance of food, beverages or tobacco in department stores and the like	IT consulting activities	IT consulting activities	Distribution of gaseous fuels by pipelines	Central bank	Freezing of fruit and vegetables
Activity beginning	2015	2006	2001	2007	2005	1983	1846	1980
Multinational	Yes	No	Yes	Yes	No	No	No	Yes
Internationalized	Yes	Yes	Yes	Yes	Yes	No	No	Yes
Total number of workers	130 (PT)*	11	3000 (PT)*	900 (PT)*	80	56	1700	330 (PT)*

Note: * Although it is a multinational, this figure represents the total number of workers only in Portugal

Source: Own Elaboration

8 interviews were conducted to obtain empirical information. The interviews were conducted between July and September 2020 via the Microsoft Teams platform. One person was interviewed per company, in a total of four women and four men. One CEO, three Managing Partners, one Managing Director, and three Human Resources Directors, all sharing the responsibilities in their respective companies of human resources management.

At the beginning of each meeting, a brief explanation was given on the context in which this study is being conducted and the objective related to the participation of each company. Permission to record the interview was also requested in order to facilitate its subsequent detailed analysis and given the guarantee of confidentiality.

The interviews were then conducted in Portuguese, tape-recorded, and the duration of each one varied between 40 minutes and 1 hour.

The 8 topics mentioned above, on which the interviews were based, were, also based on the literature, transformed into three categories of analysis: motivations leading to the use of FWA; benefits perceived by employers as resulting from the use of FWA; and, on the other hand, disadvantages that may result. Sub-categories were associated with each category: nineteen in the case of the first, eighteen in the second, and twenty in the third. In order to facilitate their identification in the testimony of each company, these have been organized in three separate tables. Nevertheless, in tables 3.2, 3.3, and 3.4, resulting from this process, only the sub-categories that were mentioned throughout the interviews can be found.

At the same time, another category was considered, relating to the costs associated by the interviewees as a direct result of the application of the FWA, for which a different procedure was carried out. In this case, no sub-category was properly defined. Since the cross-cutting costs are also flexible, it was decided to openly present in this category all the costs of the companies mentioned, measured from the fourth, seventh, and eighth themes, and then, in the discussion of the results, to filter out and highlight only those costs considered to be higher in the case of the application of the FWA.

2.4. Empirical analysis

The resulting empirical information was subjected to rigorous mixed content analysis. Although it has started from some propositions identified in the Literature analysis, the research was essentially exploratory and remained open to new conclusions.

Excerpts from the interviews were selected and presented, whenever it proved interesting, in order to illustrate from the discourse of each interviewee the specific reference made to certain aspects.

The number of times each entity referred to them, throughout the respective interview, was also mentioned, representing how some companies emphasize their importance.

Chapter 3 – Results’ Analysis

3.1. Clarification of FWA concept

The empirical analysis focuses first on the clarification of concepts, more specifically, on the perception that each element of the sample presents concerning the FWA concept, central to the subsequent interpretation of all the results obtained. Thus, and have been the first question asked in all interviews, it is analyzed which types of employment contracts the companies consider to be covered by this concept, independently of their use or not of all of them.

Fixed-term and uncertain-term contracts are unanimous among the sample of this study. F1, F2, F7 and F8 add temporary employment contracts to FWA concept. In addition to these, F4 and F5 also refer professional internship contracts and outsourcing contracts as flexible contract types. For the purpose of this study, fixed-term employment contracts, uncertain-term employment contracts, temporary help agency contracts, professional internship contracts and outsourcing contracts are considered as the types of FWA in analysis.

3.2. Distribution of each type of employment contract in the sample companies

The sample was then asked about the incidence of each type of employment contract in the structure of their companies, and their responses were grouped in the table in Appendix N and then worked through in Table 3.1, which already refers to the distribution of types of employment contracts in each company in percentage terms.

Table 3.1: Distribution of types of employment contract in the sample

(%)	F1	F2	F3	F4	F5	F6	F7	F8
Permanent contracts								
Open-ended contracts	7,00	72,70	80,00	53,00	40,00	95,00	96,06	60,60
Total	7,00	72,70	80,00	53,00	40,00	95,00	96,06	60,60
FWA								
Fixed-term contracts	-	27,30	13,00	-	2,00	5,00	-	-
Uncertain-term contracts	53,00	-	5,00	46,00	40,00	-	0,12	30,30
Temporary help agency contracts	40,00	-	2,00	-	-	-	0,88	9,10
Professional internship contracts	-	-	-	1,00	8,00	-	2,94	-
Outsourcing contracts	-	-	-	-	10,00	-	-	-
Total	93,00	27,30	20,00	47,00	60,00	5,00	3,94	39,40

Source: Own Elaboration

In a brief analysis, it is possible to verify that the contractual relationship most used by the sampled companies is the open-ended employment contract, except in the case of F1, which presents only 7% of its workers allocated to this stable type of contract, and F5 which, although still with a considerable percentage, presents 40% of its employees in open-ended employment. Of the total of 6207 employees who are tied to the sampled companies, 77.53% are allocated to an open-ended employment contract. Although it is verified the use of this contractual tie by all the companies, the companies that most make use of this type of contract F7, with 96.06% of its employees in a stable arrangement, F6, with 95% of open-ended employment contracts in its structure, and F3, which presents 80% of employees with a permanent contract.

On the other hand, analyzing the data regarding the use of FWA, this translates into 22.47% of the total number of employees associated with the sample. The most frequently used flexible contract is the uncertain-term contract, with a total of 12.36%, followed by fixed-term contracts, which represent 6.41% of the total number of employees. With a total of 2.53% of use, temporary help agency contracts are located, while professional internship contracts have only 1.05% of use compared to the total number of workers. Finally, there are outsourcing contracts, which occur in only 0.13% of the total employees. In addition to having a higher percentage of utilization, uncertain-term employment contracts are also the most used type of FWA in modal terms, that is, by more companies in the sample, namely by F1, F3, F4, F5, F7 and F8. The fixed-term contracts are similar to temporary help agency contracts in terms of the number of companies using them. However, the former is used by F2, F3, F5 and F6, while the latter by F1, F3, F7 and F8. The use of professional internship contracts occurs in F4, F5 and F7. Outsourcing contracts are only used by F5 to bind 10% of its employees. F2 and F6 use only one type of FWA, fixed-term employment contracts, while F5 is the entity that uses more different types of FWA, only not using temporary help agency contracts. F1 is the company with the highest percentage of FWA, with 93% of its employees hired on these terms. On the other hand, F7 is the company with the lowest use of FWA, with only 3.94% of its employees allocated to this type of contracts in its structure.

3.3. Characterization of each company's contractual management strategy

In order to understand the strategy behind the contractual management carried out by each company, there follows a brief description of the statements of each interviewee when asked about the types of contracts used in the recruitment of new employees, as well as, in cases of

hiring through FWA, about their intention to, further on in each candidate's relationship with the company, change its bond with a view to permanence.

F1 states that the integration of new employees in the company always occurs through temporary help agency contracts, using the application of uncertain-term employment contracts only for the hiring of workers with more specific skills and valued by their clients, for example at the language level, this being considered the "primary contract of direct hiring with the company" and never occurring direct entry into a permanent employment contract. "Even internal structure employees, who perform HR functions, for example, always integrate the company as line or back office operators, with temporary help agency contracts, and only then grow within the company, reaching the functions they perform today and there, making sense their passage to permanence" (F1). The change of bond for uncertain-term employment contracts of employees initially hired under a temporary help agency contract is a natural passage for the company that eventually occurs after a short time if the employee's performance corresponds to the expected. The uncertain-term employment contracts are thus considered by the company as a "more stable bond, within its flexible condition" (F1). Nevertheless, the company admits that at the time of employee integration, there is no intention to later change their bond to a permanent employment contract, only if this transition occurs "when a certain employee ends up staying in the company over time or is allocated to another client, his passage to permanence is legally automatic even if no addendum is made to the contract because it is considered that there has been a breach of it" (F1).

F2 indicates that the first phase of hiring any employee always occurs through a six-month renewable employment contract, which may be carried over into an open-ended contract at the end of three renewals. However, the company denies the intention that this transition will necessarily come to fruition, because it defends that "most of the people we hire are in a still very young age group and, therefore, have neither experience nor such an incredible performance that justifies the investment so great in their passage to permanence". Therefore, F2 considers itself as very rigorous in the consideration and decision for the continuity or severance of the employees at the end of the third fixed-term contract, with the conclusion of an open-ended contract only if the employee, in fact, stands out for its performance of excellence in all senses.

F3 defines its hiring method depending on the objective that leads to the recruiting need in question. In general, it happens through fixed-term employment contracts. Uncertain-term employment contracts and temporary help agency contracts can also be used at times when the workload is higher, but for a limited period of time. F3's strategy is to maintain a ratio of 80%

of its employees allocated to stable contracts and the remaining 20% to flexible contracts. The interviewee assumes the intention of later passing employees initially on fixed-term employment contracts to open-ended contracts, except for those purposely hired to perform tasks of a time-limited nature and states that this intention is "very clear to employees from the moment of their hiring, and thus there is an illusion of stability associated to their flexible contracts". The company sees this binding change as a way to guarantee the return on the investment made in the employees. F3 concludes that, when it occurs, "it is entirely due to the performance of each employee since it occurs by merit" and that "about 75% of employees at first hired with fixed-term employment contracts indeed become permanent employees".

Although F4 has a preference for the integration of new employees under uncertain-term employment contracts, it states that it is more frequent to have permanent contracts. When the company can go ahead and the integration occurs, then, through flexible contracts, there is no intention to later allocate the respective employees to open-ended contracts, nor is it common for the company to proactively propose it. However, whenever this intention is identified in the employees or communicated directly by them, the company assigns and the change of bond is made without any reticence or reluctance. F4 also indicates that, for hiring at the level of its internal structure, for example, for the HR or Development departments, it is common to apply in a first phase professional internship contracts, intending to hire the professionals in question on a permanent basis.

Regarding F5, the method of integrating new employees "is not at all linear", and the company reports some of the most common situations about how this integration in technical functions takes place. If the candidate has no previous experience in a work context, F5 will proceed with the application of a professional internship contract, with the purpose of, at the end of the internship period, signing an open-ended contract with this trainee. If this experience already exists, the company bets on direct hiring for its staff, which in its view may occur through open-ended employment contracts, but also through uncertain-term employment contracts. According to the company's own discourse, its strategy is to "integrate as many people as possible into the company's staff through these two types of contracts and thus increase the stable team". Since F5 then associates the idea of stability to both types of contract, it indicates that it does not see "the reason for the need to move employees hired with uncertain-term employment contracts to permanent contracts". F5 also points out the possibility of starting their contractual relationship with candidates through one-year fixed-term employment contracts, if these employees are foreign citizens, who may even have professional experience in their own countries or others, but who do not yet have any contact with the Portuguese labor

market. Also, in this case, there is no intention to necessarily pass on these employees to an open-ended contract at a later date.

Similar to F2, F6 states that the integration of new employees is based on the application of an initial fixed-term contract and its renewal three times. However, in the case of F6, there is the particularity that "it is not common, but sometimes we hire directly on a permanent contract basis" and that, even if this does not happen and if, as initially mentioned, the hiring is flexible, there is the intention to move on to a permanent contract for all the employees, just not occurring in "rare exceptions, in which the employee has a really bad performance or does not fit in at all".

F7 also foresees the possibility of several different situations in the process of integration of new workers. In the case of employees without professional experience, the professional internship contract is applied, F7 referring to the intention of transferring these trainees to a permanent contract. If the employee has previous professional experience with some solidity, the company advances directly with an internship contract. There are also cases of integration in the company through temporary help agency contracts, for the performance of not very complex tasks for a very limited period, or uncertain-term employment contracts, for the development of projects of a limited nature. However, in the latter cases there is no intention of transferring the employees to an open-ended contract, essentially due to their purpose, because "after fulfilling the objective for which they were hired, the continuity of these employees no longer makes sense". In strategic terms, F7 explains that its objective is to renew its staff without increasing the number of permanent employees, that is, through the retirement of the elders and the hiring of recent graduates, thus justifying its strong investment in colleges and the training of these young people during the professional internship.

F8, in turn, states that the definition of the type of contract to be signed is based on the need to keep the employee in the company, or not, presenting for this purpose three distinct situations. The company opts for the application of an employment contract without term whenever it is sure that the need for collaboration of the new resource will last for more than one year. If this need is seasonal, foreseeing a stop in production at a certain time of the year, in which the work and payment of the respective retribution to the employee are not justified, the company advances with the application of uncertain-term employment contracts. Finally, if it is a specific need and the company knows that it will not need the employee for more than a month, it resorts to the service of temporary help agencies. F8 also mentions that the intention to change the contract of employees initially allocated to FWA for open-ended contracts is a

reality, but that these changes only occur when the needs of the company in terms of workload justify it.

3.4. FWA

3.4.1. Motivation for use FWA

Entering, then, the issue of the motivations pointed out by employers as being behind their use of a certain type of FWA, through the analysis of the interviews carried out, it is possible to ascertain that the intention to meet the variations in demand and workload is often associated with the use of fixed-term employment contracts (F2, F3 and F5), uncertain-term employment contracts (F3, F4 and F8) and temporary help agency contracts (F1 and F3) corresponding to the motivation mentioned by more companies. In their own words, the companies refer to the intention of "safeguarding the company from fluctuations in customer demand" (F1), "suppressing seasonal needs in non-technical areas" (F5), "adapting to the seasonality of production" (F8) and "coping with the greater volume of work that occurs at certain times of the year, such as at Christmas" (F3). F3 also makes a point of mentioning that another reason that leads to its use of FWA is "to face indefinite peaks of demand, that is, where forecasts cannot be established and it is not possible to detect the behavior pattern of the client. For example, at the beginning of this year, due to the pandemic, it was noticed great affluence to online purchasing. But as we did not know for how long this situation would last, we found it more prudent and sensible to hire the employees that would assure the support to these purchases in an uncertain-term, without perspectives of continuity assured, to see what it would give".

The aim of cover changes on labor supply of permanent staff is also related to the use of fixed-term employment contracts (F5 and F6), uncertain-term employment contracts (F3 and F4) and temporary help agency contracts (F7). F5 continues at this point to refer only to non-technical functions, more related to administrative work, as well as F7. F6 highlights the application of fixed-term employment contracts in order to "cover the vacation periods of permanent staff". F3 states that its intention in applying uncertain-term employment contracts is generally "to temporarily fill the vacancy of an employee who has not dissociated himself from the company, i.e. who will return to work but is absent for some time due to maternity leave, sick leave...". In the same line of thought, F4 also adds the possibility that these absences are due to unpaid leave.

The use of FWA as a means of screening potential workers for permanent positions is also verified for fixed-term employment contracts (F2 and F6), uncertain-term employment contracts (F4) and professional internship contracts (F4). F2 assumes the application of fixed-term employment contracts as a method of integration in the company as having the objective of "evaluating the employees in the first months and only then deciding about their future in the company". F4 states its preference for applying uncertain-term employment contracts or professional internship contracts for hiring new employees, the latter only in the case of the company's internal structure, because it finds more beneficial "get to know the employees first, instead of creating a relationship of mandatory continuity with them right away. Thus, we only pass to permanent contract those employees whose performance, in fact, justifies it".

Another issue pointed out as a motivating factor in the choice of FWA, in particular, fixed-term employment contracts (F2) and temporary help agency contracts (F8), is the "achievement of greater flexibility in terms of possible future dismissals of employees when the volume of work no longer compensates the continuity of their relationship" (F8), or, further, "should their results lead to this decision" (F2).

The motivation related to undertaking special tasks or projects is that associated by companies with more distinct types of FWA, namely fixed-term employment contracts (F2 and F4), uncertain-term employment contracts (F4 and F7), temporary help agency contracts (F7) and outsourcing contracts (F5). "We generally use uncertain-term employment contracts to hire employees who come to secure projects with a limited duration, such as research projects for 2 years" (F7). Throughout his interview, F5 mentions twice that "we resort to subcontracting whenever we intend to hire a very specific, very technical profile for the realization of a certain project, but that after its completion we do not intend to keep it in the company's skill set".

The existence of the column relating to "FWA (in general)" in tables 3.2, 3.3 and 3.4 is justified for all categories and their respective subcategories in cases where companies refer to a certain characteristic of this type of contract but do not discriminate in their discourse against a specific type of FWA in which the character in question is particularly verified, nor strictly associate it with the modalities used by them, thus relating it to the generality of this type of contractual modalities.

In the category of motivations, this phenomenon was verified regarding the use of FWA in the sense of attracting and retain special skilled workers, mentioned only by F2, and of protecting the employment of permanent staff, mentioned by F3. "The use of flexible contracts helps to favor the management capacity of each company. By keeping the ratio between stable contracts and flexible contracts in force, the company gains the necessary flexibility to adapt,

for example, in crises, allowing this at no time to jeopardize fixed jobs, this being one of our major goals" (F3).

Finally, through the interviews carried out, the objective of "accessing support from the IEFP in the context of the insertion of young people in the labor market, which is reflected in financial co-payments for the companies" (F7), was also assessed as a motivation exclusively related to the use of professional internship contracts (F4 and F7).

Table 3.2: Employers' motivations for using FWA

	FWA (in general)	Fixed-term contracts	Uncertain-term contracts	Temporary help agency contracts	Professional internship contracts	Outsourcing contracts
Employers' motivations						
Meet variations in demand and workload		F2, F3, F5	F3, F4, F8	F1, F3		
Cover changes on labor supply of permanent staff		F5, F6	F3, F4	F7		
Screen potential workers for permanent positions		F2, F6	F4		F4	
Undertake special tasks or projects		F2, F4	F4, F7	F7		F5
Attract and retain special skilled workers	F2					
Protect employment of permanent staff	F3					

Source: Own Elaboration

3.4.2. Advantages of using FWA

Regarding the companies' perception of the advantages related to the use of FWA, starting with the issue of direct savings of eventual costs, the empirical analysis shows that the possibility of saving through the exclusive payment of the hours actually worked is an advantage associated to uncertain-term employment contracts (F8), since it "avoids having to maintain the bond and pay the employee when the volume of work does not justify it" (F8); the payment of lower taxes and contributions is seen as an advantage resulting from the application of internship contracts (F5), "due to the existence of tax rates for the company when using this type of contract in the integration of its employees" (F5); lower, or even non-existent, costs in the process of dismissal of employees are associated with temporary help agency contracts (F1), since "the company can dismiss without any cost" (F1); as well as the reduction of administrative workload and consequent savings in related costs (F1), since "if I had a greater volume of direct hiring, I would also have to hire one more person to ensure administrative work" (F1).

Associated to most of the FWA, other advantages were pointed out such as the lower absenteeism rate (F2 and F3), and the greater ease in releasing resources (F1, F2, F4, F5 and F8), which goes beyond the fact that the associated costs are reduced, but refers to the flexibility given to the company itself to dismiss employees without too much difficulty and "without being a mandatory factor the agreement of the employee for the termination of the contract" (F2), is even this the most referred advantage throughout the sample, approached by 5 of the 8 interviewees. Not only because of the number of companies that mentioned it, this disadvantage was mentioned by F1 five times along its interview, for three moments by F2 and also for three times by F8. "No doubt it's much easier to terminate a contract at any time with employees with flexible ties than with a permanent contract, which is extremely advantageous, both at the beginning of the job, when we realize that the employee's profile does not fit the function, or that their results fall short of what was expected, such as in cases where our clients decide to terminate business with us and we have nowhere to relocate the employee, making no sense their continuity in the company" (F1).

In turn, associated with both the generality of FWA (F4) and the use of uncertain-term employment contracts (F1), is the fact that the company is more protected through the application of these links, thus verifying transfer of risk and responsibilities. "There is no potential hidden risk for the company. By applying a flexible contract you are buying insurance, ensuring that for what happens in the future we are protected" (F4).

Issues such as the "lower turnover rate among employees covered by this bond due to this illusion of stability" (F3) and the companies' ability to match working time to business activity (F6) were also indicated as exclusive advantages of the use of fixed-term employment contracts. Besides, fixed-term employment contracts offer the employer "greater flexibility to hire new employees when necessary, even if there is no room for it in the company's staff" (F2) and the possibility of making a more sustained decision about which employees to hire on a stable basis, arising from screening (F2 and F6). "One of the greatest advantages of fixed-term employment contracts is that they allow us to assess whether or not the employee fits into the function and the company for the duration of the contract and only after obtaining this data do we decide on their future in the company" (F6). In this respect, "the advantage of signing a contract with a stipulated deadline is that it allows us to evaluate the employee in the first months and only if it makes sense, move on to permanent hiring" (F2). This type of FWA is also associated with higher employee productivity (F6), given that "aiming to remain in the company after the end of their contract, employees tend to make more effort to show that they correspond to what is expected, having a better performance and productivity" (F6).

Finally, some companies admit access to certain advantages when using temporary help agencies, such as, for example, the relief of time spent in the R&S process (F7), "all we need to do is present the characteristics we are looking for and most value in a candidate for the temporary work agency and it takes care of the entire R&S process. Except for rare exceptions, we do not have to waste time on knowing and interviewing the proposed candidates" (F7), and, yet, the possible increase of the hiring volume without great effort by the company, provided by the "great availability of candidates on the own databases of these agencies" (F8). Moreover, the high turnover rate associated with this type of contract may bring advantages to the company such as "the renewal of the workforce, without which it is impossible to give rise to the discovery of new talent and employees with even better performance" (F1).

Table 3.3: FWA advantages

	FWA (in general)	Fixed-term contracts	Uncertain-term contracts	Temporary help agency contracts	Professional internship contracts	Outsourcing contracts
Advantages						
Chance of matching working time to business activity		F6				
Higher productivity		F6				
Lower absenteeism rate	F2, F3, F8					
Make a more sustained decision about which employees to hire on a stable basis		F2, F6				
Easier releasing of resources	F1, F2, F4, F5, F8					
Transfer of risk and responsibilities	F4		F1			
Pay only effectively worked hours			F8			
Lower taxes and contributions obligations					F5	
Cheaper release of resources				F1		

Source: Own Elaboration

3.4.3. Disadvantages of using FWA

Concerning the disadvantages arising from the use of FWA pointed out by each interviewee, and although the increase in costs is recognized as a disadvantage, it is important to distinguish the perception that employers have of what could cause a negative impact, from a concrete cost to the company. Thus, and in order to facilitate this analysis, all references made to disadvantages that imply, in the view of the interviewed employers, a direct and immediate cost for a given organization in which they occur, will be addressed and broken down further under the heading "costs".

In relation to these negative consequences, F4 begins by mentioning most of the FWA problems in terms of the perception of the safety of the employees covered by these bonds. Although F4 claims not to establish any causal relationship between this perception by employees and their attitude towards the company, motivation or performance, issues such as lack of loyalty (F2), low commitment (F2 and F7), communication problems (F2), workforce management difficulties (F2) and confidentiality problems (F2) are also brought to the debate as referring to the generality of this type of arrangements. "This type of contract does not foresee enough time for the employee to establish a connection with the company, negatively affecting their commitment, commitment and, of course, results" (F7). In the specific case of "low commitment, which often leads to less engagement" (F5), this disadvantage is also pointed out by other companies, but as related to specific types of FWA: temporary help agency contracts (F1 and F8) and outsourcing contracts (F5). "It is noticeable in the subcontracted workers a clear lower willingness to wear the shirt and help the company in more critical situations, such as when we are tighter in delivering important projects" (F5).

Related to the issue of results, disadvantages also arise as lower productivity, both associated with the generality of FWA (F5 and F7), and seen more related to the use of temporary help agency contracts (F1 and F8), with these "more frequent cases of presence" (F1), and lower levels of teamwork and cooperation (F2), with no differentiation being made for this link.

The disadvantage mentioned by most of the sample, 6 of the 8 companies interviewed, was the higher voluntary staff turnover, associated with fixed-term employment contracts by F2, F3 and F6, uncertain-term employment contracts by F3, F4 and F7, and temporary help agency contracts by F1, F3 and F7. "Although, when it occurs, I believe it is due to the lack of communication with us because, as a general rule, we attend to employees' requests to move from an uncertain-term contract to a permanent one, as a way to avoid their demotivation and departure, the issue of instability associated to these contracts continues to be one of the main reasons that lead employees to seek new opportunities outside the company" (F4).

Also associated with fixed-term employment contracts (F2, F3, F6), uncertain-term employment contracts (F3, F4) and temporary help agency contracts (F3), and directly related to the issue of higher turnover rate, are problems at the level of employee retention and their skills. However, and although, as seen, it recognizes the higher occurrence of voluntary turnover in this type of contracts, F1 does not associate this fact as leading to the disadvantage of not being able to retain its employees. Instead, the company considers it an opportunity to renew its workforce.

On the other hand, F1 states that the fact that employees under temporary help agency contracts can "leave at any time, without any notice, can lead us to delicate situations with clients and the loss of business with them".

Another negative consequence mentioned for this type of contracts, namely for fixed-term employment contracts (F6), uncertain-term employment contracts (F1) and temporary help agency contracts (F1 and F8), was a higher rate of absenteeism, in the case of F8, referring to "punctual absenteeism without any justification". "In permanent employees, there is practically no absenteeism. Now if we talk about employees with flexible attachments, the issue is already changing and their absenteeism is, in fact, quite high" (F1).

In the analysis, which are perceived as exclusively resulting from the application of temporary help agency contracts, there are also possible difficulties in matching employees' effective skills and abilities and the firm's requirements (F8). "By resorting to this type of agencies, we lose control and decision on the candidates who are selected for the vacancy in question, sometimes not fully corresponding to what we wanted" (F8).

Table 3.4: FWA disadvantages

	FWA (in general)	Fixed-term contracts	Uncertain-term contracts	Temporary help agency contracts	Professional internship contracts	Outsourcing contracts
Disadvantages						
Low commitment	F2, F7			F1, F8		F5
Communication problems	F2					
Lower levels of teamwork and cooperation	F2					
Lack of loyalty	F2					
Confidentiality problems	F2					
Workforce management difficulties	F2					
Lower productivity	F5, F7			F1, F8		
Higher voluntary staff turnover		F2, F3, F6	F3, F4, F7	F1, F3, F7		
Difficulties in matching employees' effective skills and firm's requirements				F8		
Skill retention problems		F2, F3, F6	F3, F4	F3		
Third companies' profit margins related costs				F1, F3, F8		
Recruitment costs' increase		F6, F8	F7, F8	F7, F8	F7	
Loss of clients and business opportunities				F1		

Source: Own Elaboration

3.5. Stable contracts

3.5.1. Motivations for use open-ended employment contracts

Although this was not a direct or purposefully explored theme in the interview, and there was no specific question in the script referring to the motivations, advantages, or disadvantages arising from the application of open-ended employment contracts, these were aspects that ended up appearing in the course of the interviews, since the interviewees often ended up making a comparison between these and the FWA when formulating their answer as to the seconds. In this sense, it is considered pertinent to mention them as well, in order to reach some conclusions.

As for the motivations pointed out by employers as being at the base of their use of open-ended employment contracts, the objective most often mentioned is to increase the attractiveness of the company, especially in the sense of reaching and retaining high special skilled workers (F2, F3, F4, F5, F7 and F8). "As a strategy to respond to the dynamism and competitiveness of the market, it is necessary to promote the attractiveness of the company and the function through the contractual bond offered. With the offer of a stable contract, we try to make it easier to hire employees with more specific skills" (F4). "The greater the specificity of the function or skills to be hired and, therefore, the rarer this know-how in the market, the more it makes sense to invest in open-ended hiring" (F7).

F5 adds the intention of promoting stability and productivity within its work teams. "We intend to establish stability in the team, keep the team cohesive and make employees feel valued and motivated, achieving better productivity" (F5).

3.5.2. Advantages of using open-ended employment contracts

The advantage most commonly referred to as associated with the use of open-ended employment contracts refers to higher levels of satisfaction, motivation, engagement and commitment on the part of the employees covered by this type of contract (F2, F3, F5, F7 and F8). "Much higher levels of identification, commitment and loyalty to the company are noted, which reduces the risk of loss of information and improves supervision and communication skills" (F2). "On the other hand, permanent employees are pleased to contribute to the continuous improvement of the company" (F5).

F3 and F8 continue and state that the aforementioned issues lead to a decrease in the voluntary turnover rate among permanent employees and F8 also recognizes the decrease in costs related to the negotiation and indemnification processes that result from their departure, due to the lower frequency with which these occur.

F4 and F7 add that this type of contract enables a reduction in costs through the incentives and benefits provided by the State, exemplifying with the exemption or reduction in the rate of payment to Social Security.

Some companies perceive the open-ended contract as advantageous for reasons such as greater protection of the company, for example at the time of disengagement of employees, because due to the minimum notice period legally required the company is not totally taken by surprise with an immediate departure and thus has a greater margin to prepare and not suffer the possible negative consequences of this departure (F5 and F1).

F8 also mentions the use of this contractual modality as a potentiator of the company's stability.

Finally, F3, F7 and F8 consider that there is a higher return on the investment made in the employees when using this type of contract, namely at the level of training to which they were subjected. Highlighting its importance, F8 mentions this advantage three times during its interview.

3.5.3. Disadvantages of using open-ended employment contracts

Despite the advantages recognized by companies in the use of open-ended employment contracts, they also recognize several disadvantages. In particular, disadvantages at the level of lower effort and consequent lower productivity (F2, F3, F5, F6 and F8), as they "tend to accommodate" (F5). "It is very common for employees on permanent contracts to make less of an effort because they feel their job is taken for granted" (F2).

The greatest difficulty in releasing resources if it proves pertinent or necessary is also one of the disadvantages mentioned by companies (F1, F3, F4, F5, F7 and F8), since "there must always be a consensus on the part of the employee to be dismissed" (F4) and "he may not give in" (F1).

F7 adds the greater complexity of the R&S process, taking this more time to the company "in more levels and, thus, a greater quantity of interviews". Besides this, "even with the recent extension of the experimental period of the permanent contracts to 6 months, it is still not enough to make a complete evaluation about the employee before leaving to have a margin of maneuver to dispense him without too many difficulties" (F7).

F5 mentions another disadvantage, related to the lack of elasticity in the company's response to market fluctuations when using this type of contracts, as well as, due to voluntary turnover, the possible loss of position in the client.

Finally, the highest frequency of voluntary turnover (F7 and F8) is pointed out, "especially from 5/6 years of home" (F7), and also the highest rate of absenteeism (F2 and F3).

3.6. Employment costs

When first approached about the issue of labor costs, the interviewees were asked about the costs associated with hiring a new employee and his/her continuity in the company and, subsequently, whether these may vary according to the type of labor contract applied to this alleged employee. From the first and second questions, there are costs considered common to all contractual modalities, flexible and stable.

Taking temporary work out of the equation right away, F1 indicates that, regardless of the contractual modality that applies, "the cost of directly hiring an employee always falls on the ratio of 1.55 to 1.6 on the base salary of that same employee, considering already costs such as company discounts for Social Security, retention for the IRS, and insurance that will cover this new worker.

Deconstructing this theme, then, throughout the respective interviews, each interviewee, including F1, indicated, in their point of view, several costs that they consider transversal to all ties and, on the other hand, specific costs of certain or certain contractual modalities.

In this section, the disadvantages pointed out by the interviewees as being reflected in a direct and immediate cost for the organization will also be presented.

Initiating, then, the analysis itself, considered as transversal to all types of employment contract, are operating costs related to the leasing of the space where the company's activity takes place (F1, F5), bills of consumption, electricity and water supply (F1), hygiene consumables, such as toilet paper (F1), cleaning service for space maintenance (F1), administrative and accounting costs, except temporary work, since this is managed under the responsibility of the temporary work agency and not the host company (F1), and also an investment in equipment such as computers and headsets (F1, F5). Costs related to the uniforms of each employee (F3 and F6) are also pointed out as common, since "the uniforms are always a necessary expense, whether the employee stays one day or one year" (F6).

Regarding the R&S process, according to F2 and F4, it does not suffer any kind of change in terms of its conduction or inherent costs, independently of the type of contract applied to the need to be eliminated. Nevertheless, this opinion is not unanimous and several references are made regarding the increase of costs in the R&S of employees under the regime

of flexible contracts, more specifically, under fixed-term employment contracts (F6, F8), uncertain-term employment contracts (F7 and F8), temporary help agency contracts (F7 and F8) and professional internship contracts (F7). In most of these mentions, companies relate the increase in question to the higher turnover and constant renewal of the workforce that occurs in flexible contracting, with the R&S process having to be repeated more often and eventually becoming more costly for companies because of the issue of its repetition. However, not only because of its greater frequency, but some companies actually associate higher costs to this unique process, as in what concerns advertising costs (F3). "Of course, most people's reception for a fixed-term contract, for example, is much less than if we initially presented them with an open-ended contract, which means that in order to achieve the same percentage of acceptance, our efforts have to be much, much higher. We have to use different platforms and put more ads to reach more people (...) We end up spending more resources for the same purpose" (F3). These higher costs may also be due to the amount paid for the service hired to temporary employment agencies, a cost exclusive to temporary work (F1, F3 and F8). "Temporary work has the particularity of the business margin of the agency to which we hire the service, which has a direct impact for us on the cost of hiring an employee. The ratio that would be between 1.55 and 1.6, goes to the interval between 1.75 and 2.1 on the base salary of the employee hired by the agency" (F1). While recognizing it as a "necessary disadvantage given the company's activity" and, in turn, recognizing it as "the opportunity cost of flexibility", F1 perceives this additional value as quite considerable and refers to it several times throughout his interview, five, more specifically. F3 refers to it twice, as well as F8. On the other hand, is justified only in the case of employment under a permanent contract, companies can still count on the cost of resorting to HR consultants in order to hire the R&S service of more specialized profiles (F5 and F8) or, not being this service subcontracted for the whole process, as a form of support, for example, to carry out tests that help in the selection decision of the candidate (F7). "If we are dealing with open-ended hiring, another level of demand must be maintained, which also implies, of course, more costs. It makes sense, for example, to apply psychotechnical tests to the candidates through their own companies" (F7).

The following are the costs related to the training initially provided when integrating new employees. Here the opinions are divided and F1 mentions that this process always represents the same costs, such as F2, F4, F6 and F8. "The training program initially outlined does not depend on the contractual modality established, but entirely on the function to be performed" (F4). "The training is given in the same way, following the same process for all the employees that integrate the company. It is very common in the same welcome session to have

employees with open-ended contracts, uncertain-term contracts and also temporary help agency workers, because as we carry out the integration session once a week, we gather there all the employees who started working that week, transversally throughout the company" (F8). Although he refers three times during his interview to the fact that no hired employee begins functions without first undergoing initial training, thus highlighting the importance of this process for the company in order to maintain the quality of the service provided, F3 states that "however, in the case of temporary work, the training is mostly at the level of the company's culture and risk prevention, while in other types of contracts, it varies according to the degree of complexity of the function, and may also be behavioral and technical". Here the distinction made is, then, between temporary work and the other contractual modalities, implying for the second higher costs, due to the extension of the formative process. The possible variation of the process and underlying costs in the other types of flexible and stable contracts is due, not to their binding essence, but to the functions to which they refer. On the other hand, F7 maintains that the highest costs in initial training are related to permanent contracts. "It is only justified to apply the integration process in the company's structure and initial training in its completeness after the end of the internship period when we are sure that the trainee will continue with us in the long term. We do not risk making such a large investment before the transition to permanence, thus ending up being an exclusive cost of open-ended contracts" (F7). On the other hand, F5, although considering that in the permanent hiring the initial investment in employees is higher than in the hiring through most of the FWA, states that the greater investment in initial training is even in professional internship hiring, because "the smaller the previous professional experience, the greater the need for the company to provide initial training to the employee it is hiring. As interns are recent graduates and, in the beginning, have no experience in a work context, this initial investment is very high" (F5). On the other hand, and similarly to the costs of repetition in the R&S process, costs related to the greater frequency of the integration process and initial training of new employees are also considered and pointed out by F8 for cases of fixed-term employment contracts and uncertain-term employment contracts, as due to the higher turnover.

The training of an employee goes far beyond the plan initially established for their integration into the company and may vary from company to company and, within the same company, from type to type of contract, according to the strategy of the organization for each. In this sense, the perception of each company interviewed about the weight of costs related to the continuous training of their employees also varies greatly throughout the sample. F4 states that "we do not make any distinction between employees. In fact, when developing the training

plan for each employee, the department in charge usually does not even have access to information regarding the contractual modality under which the employee's contract is in force", considering the same costs at this level for all types of contracts. Following the opinion that the costs of continuous training are identical for all types of employment contract, F5 states that "sometimes there is a need to develop even more regular training, due to technological changes, something very common in our area, so there are more costs at this level of training. But as these training are directed to all employees, because it is important to keep them all equally updated, there are no differences in these costs for any type of contract". F2, F7 and F8 associate higher costs at the level of continuous training of their employees to open-ended hiring. Due to its intention of later passing on the permanence contract to employees initially hired on a fixed-term contract basis, F3 mentions developing for these employees a continuous training plan very similar to those already permanent employees, so it considers the continuous training costs of fixed-term contracts very similar to those of permanent contracts.

Other very important operational costs to take into account are the costs related to employee compensation. For a more detailed analysis, we have chosen to differentiate between the base salary, the variable remuneration and the benefits that can be attributed to them.

Regarding the former, all the interviewees, without exception, indicated that there are, in fact, differences in the basic salary between employees performing the same function, but with different contractual ties, representing these differences higher costs for the company in the case of hiring on a stable basis. However, none of the companies indicated an express intention to offer better salary conditions to permanent employees just because of their type of contract, attributing other reasons for this fact. F1, F6 and F8 justify that, along their continuity in the company, the employees go up in the categories foreseen by the Law for their professional activity, a Law that also foresees a specific amount of remuneration for each category, higher as the category is higher. "Since permanent employees are, as a rule, already associated with a higher professional category, the value assigned to them is also higher" (F6). F2, F3 and F7 refer to the issue of the seniority of employees in the company and their rise in the structure, as a justification for the higher values of the base salary of permanent employees. Finally, F4 and F5 mentioned that "the differences in salaries that occur in our case have nothing to do with the relationship of each employee. The value of the renumbering assigned only depends on the seniority level that each one presents at the time of their application to the company and the negotiation made at the time of their integration. As, generally, those with more experience only accept open-ended hiring, they also have higher salaries". (F5). Also, these companies also state that "they demand to move to a stable bond and have a salary

increase to remain in the company, and our strategy is to give in to face these external proposals" (F4).

About variable remuneration, all companies agree that all employees have access to the same type of bonuses and commissions, although F3 states that "bonuses are only implemented after 6 months of work, but everyone can reach them from there".

As for salary benefits, F1 states that the benefit plan to which employees may have access is the same for all types of contracts, such as F3. Referring only to health insurance, F6 and F2 state that its attribution is common to all workers. F5, on the other hand, states that the usufruct of life insurance, as well as health insurance for the employee and his/her household, is only available to employees under an uncertain-term contract or an open-ended contract. Also only related to these two types of contract, are, in the opinion of F8, costs related to the physical existence of the meal allowance pay card, costs that "for example, in temporary work do not exist, since the value of the meal allowance is paid through bank transfer" (F8). According to some companies, there are also some benefits to which only permanent employees have access, such as higher allowance (F2), car, in some levels (F5), housing credit (F7) and complimentary retirement plans (F7), thus representing higher costs for the company in this type of bond.

In terms of the costs related to the percentage of social contributions and tax burdens to which companies must answer, F1, F2 and F3 do not see differences between bonds. Regarding the latter, these companies even mention that "the amounts to be discounted are defined by the IRS Retention Table for each year, and are not related to the types of contracts in question, but rather to the amount of each employee's monthly remuneration, marital status, number of holders and dependents" (F3). F7 marks a position by stating that "due to the State incentives to support open-ended hiring, charges for Social Security end up being higher in the case of flexible contracts". F6 recognizes that "the remuneration of permanent workers is higher than that of other workers, that is, the IRS brackets in which they are located are also higher", as is F5, which associates "more costs related to tax charges" to this type of contracts.

The costs related to the payment of indemnities arising from the dismissal of employees under a permanent contract are pointed out by the vast majority of interviewees (F1, F2, F3, F5, F6, F7 and F8) as being higher. "Involuntary dismissals always require negotiation with the employee to be dismissed, generally entailing more costs in terms of compensation (...), especially since the seniority of the permanent employees leads to higher compensation payments" (F7). F8 adds that in this type of severance payments one must also consider costs related to the hiring of judicial support, which is important for the protection of the company

in the negotiation process with its employees. As a result of such high costs, and in order to avoid them, according to F8, severance payments end up occurring at a stage before permanence. Thus, due to their higher frequency, F8 associates in practice higher costs of involuntary turnover to fixed-term contracts, both certain and uncertain, which are calculated based on the proportionality of the duration of the contracts in question. "If we decide to dismiss employees hired for an uncertain-term or with a fixed-term contract, but before the end of their contract period, the indemnities will be proportional to the duration of the fixed-term contract" (F8).

More than a disadvantage, F1 points out that the fact that employees on a stable regime do not accept to leave the company if a negotiation in this sense is proposed will imply more costs, relating them to the increase of cases of presentism. "The employee does not produce even close to what is expected, but even so we have to continue paying him as if he were corresponding because he does not simply accept to leave" (F1).

Intending to enhance employee retention, each company develops its own plan in this sense and therefore with very different costs as well. F3, F4 and F5 do not distinguish between bonds and apply to all employees the same talent retention measures, having the same costs, namely in the development of Mentoring programs (F4 and F5) and conducting assessments to identify skills (F3). On the other hand, F7 and F8 only indicate investment in certain measures in cases of permanent hiring, that is, only having costs in this sense with this type of contracts. These companies highlight the costs related to the development of professional orientation programs (F7 and F8) and co-payments in MBA's (F8). F7 also mentions the development of a "specific budget destined to the fastest progression of permanent employees in their first years of life in the company", since this progression implies higher costs related to salary increases that exceed the increase of productivity that is verified for these employees in the same time-space.

3.7. Final balance

At the end of the interview, a final balance was asked to each company interviewed in order to elect the contractual modality that, in their view, implies more costs and, yet, the type of work contract that they perceive as most beneficial to the employer.

Regarding the most expensive type of contract, half of the sample indicated the open-ended employment contract (F2, F4, F5 and F6), F7 referred to the uncertain-term employment contract and F1 and F8 mentioned the temporary help agency contract. Not concluding, F3

proved to be quite divided between the temporary help agency contract and the open-ended employment contract.

On the other hand and without much hesitation, F1 elected as the most beneficial contractual modality for the employer, in its point of view, the uncertain-term employment contract, F2, F3 and F6 the fixed-term employment contract and, finally, F4, F5, F7 and F8 the open-ended employment contract.

Chapter 4 - Results' Discussion

From the extensive variety of flexible employment relationships identified throughout the literature and provided for by Portuguese law, interviewed companies recognize only the existence of fixed-term employment contracts, uncertain-term employment contracts, temporary help agency contracts, professional internship contracts and outsourcing contracts. According to Allan (2000), Brewster et al. (1997) and Kalleberg and Marsden (2015), the typology of part-time employment is not mentioned by the sample as flexible. On the other hand, although not mentioned in the literature review previously presented, professional internship contracts are pointed out by some of the companies interviewed as a type that FWA use.

As for the most widespread types of FWA in Portugal, contrary to what was advocated by Kóvacs (2004) and gauged through the most recent data from the Strategy and Planning Office of the Ministry of Labor, Solidarity and Social Security, the most commonly applied type of FWA is not fixed-term employment contracts, but uncertain-term employment contracts, fixed-term contracts being only the second most flexible type used by the sample.

As suggested by Houseman (2001), it is proven that the use and predominance of different types of FWA vary from sector to sector of economic activity.

Nevertheless, the theory of Atkinson and Gregory (1986), does not prove true, since F8, the company in the sample that fits the economic activity of the manufacturing industry, belonging to the secondary sector, does not even make use of outsourcing contracts, a type of contract pointed out by the authors as being the most used in this type of activity, as well as temporary help agency contracts, but being these used by F8 for only 9.10% of its employees.

Of the nineteen possible motivations behind the use of FWA identified in the Literature, six of them are verified. More specifically, and starting from the first proposition of the study, there are economic motivations ("meet variations in demand and workload", "cover changes on the labor supply of permanent staff" and "screen potential workers for permanent positions"), motivations related to the segmentation of the workforce ("protect the employment of permanent staff"), motivations related to the attractiveness of the company ("attract and retain special skilled workers") and motivations related to innovation and change ("undertake special tasks or projects").

Confirming Houseman's theory (1997), when confronting the main objectives behind the use of FWA, the motivation mentioned by a larger number of companies, 6 of the 8 in the sample, refers to meet variations in demand and workload. Still according to the same author,

the second most pointed objective, by 5, is to cover changes in the labor supply of permanent staff.

On the other hand, Cappelli and Keller's (2013) theory that the motivation to meet variations in demand is behind the use of all types of FWA is not true, since it is associated by the sample only with fixed-term employment contracts, uncertain-term employment contracts and temporary help agency contracts.

Also within the framework of Houseman's theory (1997), this study proves that employers do not point out reasons related to direct cost savings as motivation for their use of FWA.

For the analysis that allowed to reach conclusions about the different motivations that lead to the use of each type of FWA in particular, which resulted in table 4.1, the motivations associated by the sample to the generality of FWA were not included, since they are not conclusive in the intended sense. The same happened for the equivalent analysis regarding the advantages, disadvantages and costs of each flexible contractual typology.

Portugal and Varejão (2009) suggest the motivation to reduce future dismissal costs, which, as already mentioned, is not the case for the sample. However, not for the issue of direct cost reduction, but for the possibility of achieving greater flexibility for the company in this process, this is a recognized motivation, in addition to Literature, regarding the use of fixed-term employment contracts. This type of contract is also associated with motivations such as meet variations in demand and workload, covering changes in labor supply of permanent staff, screen potential workers for permanent positions and undertake special tasks or projects, i.e. economic motivations and motivations related to innovation and change.

The motivations related to the application of uncertain-term employment contracts differ in the sense that the issue of flexibility in the processes of severance of employees is not mentioned, i.e. this type of contract is not, according to the sample, used for this purpose.

For temporary help agency contracts the same economic motivations, as well as those related to innovation and change, are verified as those referred to for fixed-term employment contracts, except one. Although Houseman (1997) suggests that this is the type of contract that companies generally use when they intend to screen candidates, this motivation is not found in the study as associated with this type of contract. On the other hand, the reason associated with the use of temporary help agency contracts, "provide needed assistance at times of unexpected increases in business" by the majority of the sample in Houseman's study (2001) is related to the intention of "meet variations in demand and workload".

As far as professional internship contracts are concerned, even though they are not recognized in the literature analyzed for the development of this study, from the motivations identified as leading to the use of other types of FWA, the economic motivation related to screening is verified. The empirical information also adds the intention to access the support granted by the IEFPP, which can also be considered as an economic motivation. Thus, contrary to what was foreseen in the literature review, the support measures for open-ended hiring promoted by the IEFPP do not ultimately lead to the objective to which they are proposed. On the contrary, they enhance the use of FWA.

In turn, the only motivation associated with the use of outsourcing contracts is the possibility of undertaking special tasks or projects, which is a type of contract used due to motivations exclusively related to innovation and change.

It is possible, then, to conclude that the motivations for the use of FWA, in fact, vary from type to type of FWA, the second proposition of this study is confirmed.

Table 4.1: Employers' motivations to use each type of FWA

	Fixed-term contracts	Uncertain-term contracts	Temporary help agency contracts	Professional internship contracts	Outsourcing contracts
Meet variations in demand and workload	√	√	√		
Cover changes on labor supply of permanent staff	√	√	√		
Screen potential workers for permanent positions	√	√		√	
Undertake special tasks or projects	√	√	√		√
Achieve greater flexibility in future dismissals	√		√		
Access to IEFPP support				√	

Source: Own Elaboration

The intention to screen potential candidates to move-to a stable contract was expressed by F2 and F6 for fixed-term employment contracts and by F4 for uncertain-term employment contracts and professional internship contracts. In addition to the question raised regarding the motivations that lead to their use of FWA, employers were also, at another time of the interview, questioned about their intention of later changing the contractual ties of employees initially hired in a flexible arrangement to a stable one, as well as how often or under what circumstances this change, in fact, occurs, regardless of whether they indicated the screening as a motivation or not. Thus, F6 refers in its interview to always keep this intention in mind, only rarely making the change in question. F4 states that it intends and actually carries out this

change for all employees hired under professional internship contracts, but the same is not true for employees hired under uncertain-term employment contracts, for whom this intention does not exist and only changes their relationship for an open-ended arrangement if they request it. On the other hand, F2 states that it does not have this intention at the time of hiring its employees, as their passage to a stable relationship is not at all guaranteed, but supposedly dependent on the excellence of their performance. In this sense, Houseman's (1997) theory is verified. Even being sometimes pointed out as motivation, the real intention by employers of changing flexible employees' bonds is not always verified. Furthermore, this change does not always occur even if the intention is reported.

Although not mentioning the issue of screening as a motivation, F3 states the intention of later moving employees from fixed-term employment contracts to permanent employment contracts, pointing out this contractual change as solely dependent on their performance. Thus, the issue of screening can be considered as an involuntary motivation for the use of fixed-term employment contracts by F3. The same is not true in the study for the other companies that do not mention this motivation, but present the intention in question, since F8 states the change depends, however, on the needs of the company, and F5 and F7 take it for granted.

Also in this sense, and although no distinction is made in the designation given by companies to employees in this situation, the differentiation suggested by Kompier et al. (2009) between employees hired for a limited period, but with the prospect, or not, of moving on to permanent hiring, is seen in the way F3 perceives its employees hired through fixed-term employment contracts, for purposes other than seasonal, as a "semi-permanent contract", as is the case with F6.

Still resulting from the empirical analysis, it is possible to verify that the motivation to reach and retain high special skilled workers, pointed out in Literature as being behind the use of FWA, is verified for stable contracts, adding the sample for this type of employment contract the intention to favor the stability and productivity of companies.

Regarding the advantages associated by each company to the use of FWA, of the eighteen advantages suggested throughout the literature review presented, there are nine.

These nine include the higher productivity associated with this type of contracts, as advocated by Brewster et al., 1994 quoted by Valverde et al., 2000. However, contrary to Lee's (1996) idea that this higher productivity is due to a greater effort on the part of employees to achieve higher individual remuneration, the empirical analysis shows that this greater effort is due to the need that employees feel to prove their value and thus ensure their continuity in the company, even after the end of their flexible contracts.

On the other hand, the advantage related to cost savings in the process of recruiting and hiring new employees, suggested by Cappelli and Keller (2013), is not only not recognized by the companies interviewed, but also the higher costs resulting from this process are pointed out by them to flexible typologies.

It is also interesting to analyze the fact that, not having pointed them out as motivation, certain companies have mentioned issues such as assurance of a steady and cheaper supply of screened and trained workers, defended by Houseman (2001) and Polivka and Nardone (1989) and the reduction of administrative costs, presented by Polivka and Nardone (1989), as being considered advantages of this type of contracts.

From the empirical analysis there are also advantages such as a lower turnover rate and greater flexibility to hire new resources even if there is no possibility to do so through permanent hiring, resulting from the use of fixed-term employment contracts, and issues such as the relief in terms of time spent in the R&S process of employees and the possibility of renewing the workforce, associated with the application of temporary help agency contracts.

Although some of the companies in the sample mention advantages related to cost savings as a result of the use of FWA, such as the possibility of saving by paying only the hours actually worked, in the lower taxes and contributions obligations and lower costs by freeing up resources, none of these companies recognize as an advantage their higher financial growth, suggested by Ghosh et al. (2009).

It is, in fact, concerning the disadvantages identified in the literature as related to the use of FWA, that there is a higher percentage of recognition by the companies interviewed, more specifically 65%. This means that, of the twenty disadvantages proposed, thirteen are found according to the opinion of the sample.

Nevertheless, throughout the discourse of each company, it is possible to notice that they make a clear differentiation between the disadvantages they consider to imply "only" negative consequences for the company and those they consider to lead to concrete costs, not only to these thirteen disadvantages that coincide with Literature but also concerning those that they add and measure themselves in the empirical analysis. For this reason, the last proposition of this study is verified.

In this differentiation on the part of companies and starting with the question of the negative consequences that they pointed out for each type of FWA, or for the generality of Literature, there are low commitment, lack of loyalty, confidentiality problems, communication problems, lower levels of teamwork and cooperation, workforce management

difficulties, higher voluntary staff turnover, problems in retaining talent, lower productivity and difficulties in matching employees' effective skills and abilities and firm's requirements.

By Allan (2000) presented as a cost, but by the empirical analysis assessed as a negative consequence of the use of FWA, as well as of the open-ended hiring, one finds the question of the possible loss of clients or business opportunities.

Resulting only from the empirical information collected, there are consequences in terms of the perception of security of employees and their low engagement. In addition to these, although included in the scope of labor costs by McBride and Dowling (1985), not being perceived by the companies interviewed in this way, there is mention of a higher rate of absenteeism as a counterpart to the use of FWA.

On the other hand, although proposed in Literature, no reference was made by the companies under analysis to negative impacts such as the deterioration in quality standards of products or services provided or the higher rate of work accidents amongst temporary employees.

As for the disadvantages that the companies in the sample highlight as leading to a direct increase in specific costs for their organizations, only the costs pointed out as higher in the case of FWA application will be considered for this analysis.

From the literature, there are increases in recruitment costs due to the greater recurrence of this process and also costs related to the payment of the margin of temporary employment agencies.

Through their interviews, companies add that the increase in recruitment costs may be due to higher costs in terms of the advertisement for recruitment needs involving flexible links. Treated by McBride and Dowling (1985) as well as costs of the recruitment process, but mentioned separately by the sample, are higher costs due to the greater frequency with which the process of integration and initial training of new employees takes place as well. As a result of the empirical information collected, there are also costs related to the higher number of cases of presentism, higher costs due to the higher frequency of involuntary turnover dismissals and, therefore, more compensation that the company will have to pay, and higher Social Security charges. The fact that the latter is not only pointed out as a higher cost related to the use of FWA but, on the other hand, the reduction of these charges mentioned as an advantage of permanent hiring, makes it clear that these incentive measures by the State, in fact, contribute to the greater use of open-ended employment contracts.

Addressed in the literature and referred to by the sample, but as costs transversal to all contractual modalities, flexible and stable, were the capital costs for the provision of space and

equipment for employees, with no increase in the use of FWA. There are also no higher administrative costs associated with FWA since a reduction in these costs is even referred to as an advantage arising from the use of this type of contract.

Once again, brought to the debate by Valverde et al. (2000), but not mentioned by any interviewed firm as higher in the case of FWA, are costs related to sick payments and compensation for damages, disruptions in work programs and temporary increase of firm's wage bill due to the demand for higher wages by workers hired in this way.

Conclusions

This research attempted to examine the types of FWA used by a set of firms in Portugal. At the same time, it explored the motivations beyond the use of FWA, as well as the advantages and disadvantages associated with those types of contracts. It has to be stressed that the sampled firms share the intention to implement stable employment relationships and use FWA for very specific reasons. Only one firm seems to prefer FWA and consequently tries to reduce the passage to stable contracts (F2). This raises a question of the impact of labor market regulation and its impact on stability path that the sampled firms seem to illustrate.

The data show that stable contracts may a reward of high performance and firms use FWA to screen workers and acquire information on workers productive skills. While some firms have recognised advantages regarding labor costs, other have acknowledged the shortcomings of FWA, especially the ones linked to inside information. Although the issue of hidden costs has not been explicitly assumed, there are signs that employers are in fact concerned with the trade-off between the costs of stability and the advantages of FWA. This research is useful to guide employers' decisions regarding the type of employment relationship to be developed and to inform policy makers about the factors that influence the firm's decisions.

This study was marked by the pandemic context, which, it is believed, hampered the process inherent to its development, namely in terms of the companies' receptivity and willingness to collaborate and regarding the impossibility of conducting the interviews in person.

The results of this research are exciting but should be examined with caution. The sample is small and biased, but the findings are in the line of the available literature. Furthermore, this research opens room for future studies, not only with a large sample, but also for an inquiry to workers. It is interesting to study the perception of workers on the preferences, benefits and disadvantages of FWA in their professional and personal lives.

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Annexes

Annex A: Evolution of GDP between 2010 and 2019

(M€)	2019 (estimated)	2018 (provisional)	2017	2016	2015	2014	2013	2012	2011	2010
GDP	212 320,60	204 304,80	195 947,20	186 489,80	179 713,20	173 053,70	170 492,30	168 295,60	176 096,20	179 610,80

Source: Pordata, 2020

Annex B: Evolution of unemployment rate between 2019 and 2020

(%)	2020 (July)	2020 (June)	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Unemployment rate	8,10	7,30	6,50	7,00	8,90	11,10	12,40	13,90	16,20	15,50	12,70	10,80	9,40

Source: Pordata, 2020

Annex C: Distribution of different types of employment contracts in Portuguese labor market between 2010 and 2018

(%)	2018	2017	2016	2015	2014	2013	2012	2011	2010
Open-ended contracts	63,61	64,96	66,77	68,18	69,6	71,87	73,8	73,53	74,78
Fixed-term contracts	28,12	26,95	25,53	24,46	23,24	21,66	20,7	20,68	19,81
Uncertain-term contracts	7,58	7,38	7,00	6,65	6,46	5,75	4,80	4,94	4,20
Other situation	0,69	0,71	0,70	0,71	0,70	0,72	0,70	0,85	1,21

Source: Gabinete de Estratégia e Planeamento do Ministério do Trabalho, Solidariedade e Segurança Social, 2012, 2013, 2014, 2016, 2018, 2019

Annex D: Use of FWA in Portuguese labor market between 2010 and 2018

(%)	2018	2017	2016	2015	2014	2013	2012	2011	2010
FWA	36,39	35,04	33,23	31,82	30,10	28,13	26,20	26,47	25,22

Based on Gabinete de Estratégia e Planeamento do Ministério do Trabalho, Solidariedade e Segurança Social, 2012, 2013, 2014, 2016, 2018, 2019

Annex E: Distribution of each type of employment contract in Portuguese labor market in 2018

Type of contract	Distribution of types of contracts (%)
Open-ended employment contract	63,40
Open-ended employment contract for the subordinated provision of telework	0
Open-ended employment contract in service commission	0
Intermittent employment contract without term	0,10
Open-ended employment contract for temporary assignment	0,10
Fixed-term employment contract	26,60
Fixed-term employment contract for the subordinated provision of telework	0
Fixed-term employment contract in service commission	0
Temporary employment contract with fixed-term	1,50
Uncertain-term employment contract	5,80
Uncertain-term employment contract for the subordinated provision of telework	0
Uncertain-term employment contract in service commission	0
Temporary employment contract with uncertain-term	1,80
Other situation	0,70

Source: Gabinete de Estratégia e Planeamento do Ministério do Trabalho, Solidariedade e Segurança Social, 2019

Annex F: Direct costs of employment

WORKSHEET 1 DIRECT COSTS

General data:	Position:
	Number of employees:
	Cost basis:
<hr/>	
Level 1 Wages and On Costs	— Total Wages
	Annual salary
	Loadings — shifts, overtime, etc.
	Annual leave loading.
	Award allowances — clothing, site, travel etc.
	Bonuses.
On costs	Workers compensation insurance.
	Superannuation (company contribution).
	Payroll tax.
Non-cash benefits	Awards (e.g. holidays, prizes).
	Cars (depreciation, maintenance, running).
	Other (medical, spouse allowance etc.)
<hr/>	
Level 2 Local Ancillary Costs	
Furniture	Table, chairs etc.
Equipment	Tools of trade.
Local rest, recreation	Canteen, Recreation facilities, Washroom facilities.
Supervision	Supervisory costs, to at least Level 1.
<hr/>	
Level 3 Ancillary company costs	
Social	Canteen. Sporting facilities. Game facilities.
Health and safety	Medical and welfare program Company benefits.
Payroll	Processing costs.
Personnel	Administration. Administration — personnel data base. Compensation monitoring and negotiation.
<hr/>	
A	Total Annual Cost = Level 1 + Level 2 + Level 3
B	Total Hours Worked = Actual number of days worked per year * number of hours worked per day
C	Total annual output = Number of units produced in one year.
	Hourly cost = A/B
	Unit cost = A/C

Source: McBride & Dowling, 1985: 45

Annex G: Recruitment costs

WORKSHEET 2 RECRUITMENT	
General data:	Number of Applicants: Number of Appointments:
Job definition	Time involved in defining and justifying position. Lost productivity.
Advertisement	Time and costs of selecting advertising media. Time and cost of preparing and delivering advertisement. Cost of advertisement. Lost productivity.
Personnel dept.	Time in forms preparation and organisation controls.
Response	Time to handle queries and disseminate information. Cost of information despatched.
Interviewing	Time and cost of acknowledgements. Time involved in: considering applications, selecting interviewers and interviewees, interviewing, selecting appointee, notifying unsuccessful applicants. Direct costs paid for interviewers and interviewees. Testing — skills, medical. Lost productivity.
Appointment	Time to prepare personnel documentation and induction program. Time to establish work station. Lost productivity in initial working hours.
Relocation costs	Initial accommodation. Legal and other expense compensation.
Induction/training	Costs of initial induction and training (see training section).
A Total Recruitment costs = Sum of above.	
Recruitment cost per appointment	
= Total recruitment costs	
/Number of appointments.	

Source: McBride & Dowling, 1985: 46

Annex H: Training costs

WORKSHEET 3 TRAINING

General data:	Employer group: Number of trainees: Training method:
Trainees	Cost per hour multiplied by number of work-hours involved. Lost productivity.
Trainees	Formal — Cost per hour multiplied by time in course leadership and preparation. OR Cost of external trainers. Informal — Cost per multiplied by number of hours lost. Lost productivity.
Course	Cost of establishing course divided by number of times course expected to be run (may include time if not covered in trainers cost). Cost of revision for specific course. Cost of materials. Course administration costs — time, materials etc.
Venue	Hire of venue OR opportunity cost of venue. Accommodation, meals. Transport to venue.
Appraisal	Time costs preparing appraisal, completing appraisal (course participants), collating results.
A	Total course costs = Sum of above.
B	Cost per trainee = Total course costs divided by number of trainees.
C	Cost per trainee per work hour = Cost per trainee divided by number of work hours involved.

Source: McBride & Dowling, 1985: 46

Annex I: Absence costs

WORKSHEET 4 ABSENCE	
General data:	Employee group: Number of employees: Number of absences: Number of hours absent:
Absentee	Direct wages and oncosts. Data source: personnel records or special surveys to determine actual hours lost.
Supervisor	Time lost in handling problem, rescheduling work, arranging and instructing and monitoring replacement, counselling and discipline. Source: supervisor survey.
Productivity	Gross profit from work not performed, OR cost of replacement staff, OR cost of catch up (overtime etc). This may include a flow-on of lost productivity from fellow workers affected by the absence.
A	Total cost of absence for group = Sum of the above.
B	Average cost per absence = Total cost of absence divided by number of absences.
C	Average cost per hour absent = Total cost of absence divided by number of hours absent.
D	Average cost per employee = Total cost of absence divided by number of employees in group.

Source: McBride & Dowling, 1985: 46

Annex J: Turnover costs

WORKSHEET 5 TURNOVER	
General data:	Number of departures: Cause:
Announcement	Time costs and lost productivity for resignee, supervisor and co-workers.
Direct costs	Wages and associated costs. Time for those involved in termination interview etc.
Absence	Cost of absence after date of notification. The cost of absence before notification should be included if absence rate increased markedly.
Farewell	Time and costs for farewell function(s). Lost productivity — all participants.
Investment lost	Costs of loss of investment in the retiree. These include <ul style="list-style-type: none"> — training costs where the employee stayed an unusually short time, — abnormal costs required to replace lost skills.
Interim costs	Cost of temporary staff and/or overtime and/or lost productivity. Idle facilities, such as standing cost of equipment.
Sabotage	Cost of renewing or replacing damage items. Cost of theft.
Retrenchment	Cost of retrenchment package. Negotiation time with union. Outplacement and other employee services.
Death/retirement	Wages, annual leave and long service leave. Sick leave payout. Payroll tax.
Work related injury	Ex gratia payment. Legal liability at common law. Resulting union or insurance costs.
Total cost of turnover = sum of above costs.	
Cost per turnover event = Total turnover cost divided by number of turnover events.	

Source: McBride & Dowling, 1985: 47

Annex K: Affirmative action costs

WORKSHEET 6 AFFIRMATIVE ACTION	
1 Policy statement	Time to draft, review. Printing and publication costs.
2 EEO co-ordinator	Costs of recruitment. Direct costs of employment.
3 Consultation — trade unions	Time of company officers to discuss with TU officials and delegates. Time of TU delegates involved with management in discussions. Time of all employees involved in TU dissemination of information. Lost productivity.
4 Consultation — employees	Time of all employees while consulting with management. Time for unofficial discussion. Lost productivity.
5 Statistical analyses	Time of those carrying out internal analysis in personnel department. Cost of special surveys — design, participants' time, collectors' time. Cost of collecting external data.
6 Personnel review	Time of all those involved in review of personnel practices in all sections of organisation.
7 EEO program	Costs of developing program and associated goals — time and materials costs. Implementation costs — personnel and administration (eg, computer costs). Consultation time.
8 Monitor/review	Time and equipment costs in collection and analysis of feedback data. Review may involve repeating entire cycle if exceptionally unsatisfactory outcome.
Other costs	External resources used in any stage of the process. Legal costs — legislation interpretation etc. Lost productivity especially from workers fearing disadvantage. Lower morale leading to staff turnover. Learning curves on part of all staff including EEO co-ordinator.

Source: McBride & Dowling, 1985: 48

Annex L: Use of open-ended contracts by economic activity in Portuguese labor market in 2018

Economic activity	Open-ended contracts (%)
Agriculture, animal production, hunting, forestry and fishing	53,75
Extractive Industries	74,72
Manufacturing Industries	71,84
Electricity, gas, steam, hot and cold water and cold air	93,69
Water collection, treatment and distribution, sanitation, waste management and depollution	67,19
Construction	53,2
Wholesale and retail trade, repair of motor vehicles and motorcycles	67,25
Transportation and storage	67,82
Accommodation, restaurants and similar	47,66
Information and communication activities	74,55
Financial and insurance activities	91,42
Real estate activities	61,68
Consulting, scientific, technical and similar activities	68,13
Administrative and support service activities	36,56
Public Administration and Defense; Mandatory Social Security	73,09
Education	69,47
Human health activities and social support	72,92
Artistic, show, sports and recreational activities	57,53
Other service activities	64,84
Activities of international bodies and other extra-territorial institutions	87,23

Source: Gabinete de Estratégia e Planeamento do Ministério do Trabalho, Solidariedade e Segurança Social, 2019

Annex M: Interview script

Firm:

Own presentation, introduction concerning the context of the dissertation, objectives of the study and objective of the interview. Request for authorization to record the interview and safeguarding confidentiality.

Personal presentation of the interviewee, as well as of the responsibilities assumed in the company.

- Starting with a clarification of concepts, when referring to FWA, what specific contractual typologies do you perceive we are talking about?
- In order to know a little more about [name of the firm]'s structure, what is its current dimension, in terms of the total number of employees?
- How do you describe the incidence of each type of used arrangements, taking into account this total number of employees?
- What are the reasons you assign as justification for this distribution?
- Is there any intention to change this distribution? In the short, medium or long term?
- Regarding your perception of the current general panorama of Portuguese labor market, how do you consider your company is positioned?
- When a new need for Recruitment arises in the company, preferably on your part as an employer, what is the first type of contract that you think you should apply? Why?
- Who is responsible for deciding on the type of contract to apply for each function or need for Recruitment?
- What are the internal and external factors that are part of the consideration for this decision?
- How can the subsequent R&S process be differentiated, in terms of procedures and costs, according to the contractual typology designated for the need in question?
- Can the qualifications and skills required also be different?
- How often is it verified the change of contractual relationship of employees who have started working in a flexible regime to a stable one? In what circumstances does it usually occur?

- Is there usually some kind of intention in this regard right at the time of the use of a flexible contract?
- When you think about hiring a new employee, what are the main related costs that come to your mind?
- Can these differ according to the type of contract assigned to the position in question? To what extent and parameters?
- What do you consider to be the objectives of an organization when applying a FWA?
- And what are your main objectives when applying each type of FWA?
- In practical terms, assuming the entry of a new employee for your company, not specifying the contractual typology under which the contract will be in force, is it possible to refer at the outset to the integration and initial training plan to which this employee will be subject? Or will it vary according to the type of contract? To what extent?
- After the integration, what is the forecast for continuing training programs?
- Regarding talent retention programs and measures, what do they consist of and to which employees are they directed?
- If a team member leaves voluntarily, what are the differences in costs for the organization according to their type of agreement?
- And now considering this exit as involuntary for the worker?
- Concerning the compensation component, to what extent are there differences in base and variable salaries, as well as in the benefit plans attributed to employees with different types of contracts?
- What about charges to the employer? (In terms of social contributions, for example).
- What about the attitude towards the company, for example at the level of engagement, is there any difference between employees with different ties?
- What about the performance of the job? (At the level of motivation and productivity, for example).
- Taking the issue of absenteeism, what is the employment arrangement in which this phenomenon tends to occur more recurrently?
- And to what type of contract is a higher rate of voluntary turnover associated?
- What do you consider to be the main benefits of each type of contract?
- And what disadvantages can each one imply for the employer?
- And to what extent can these disadvantages become, in the short, medium or long term, costs for your organization? What kind of costs might we be talking about?

- Taking a final balance, what do you consider to be the type of contract that entails the most costs for the employer?
- And what is the most beneficial type of contract for companies?

Final acknowledgment for the willingness and contribution.

Annex N: Incidence of each type of employment contract on the sample

(Number of workers)	F1	F2	F3	F4	F5	F6	F7	F8
Permanent contracts								
Open-ended contracts	9	8	2400	477	32	53	1633	200
Subtotal	9	8	2400	477	32	53	1633	200
FWA								
Fixed-term contracts	-	3	390	-	2	3	-	-
Uncertain-term contracts	69	-	150	414	32	-	2	100
Temporary help agency contracts	52	-	60	-	-	-	15	30
Professional internship contracts	-	-	-	9	6	-	50	0
Outsourcing contracts	-	-	-	-	8	-	-	-
Subtotal	121	3	600	423	48	3	67	130
Total	130	11	3000	900	80	56	1700	330