

FORMS OF EMPLOYMENT IN SME SECTOR – EXAMPLE FROM SLOVAKIA BASED ON PRIMARY RESEARCH

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Abstract: The rapidly changing market conditions of the 21st century also need to be adapted by companies, which include, among other things, the consideration and study of forms of employment, and possibly the introduction of new forms of employment, as we only think about how fast it is spreading. These forms of employment can be characterized by a distinct mark in terms of typical 8-hour employment, which is typical of the past, and can be mentioned as atypical. The basic aim of the research is to map the employment forms realized by small and medium-sized enterprises, especially the so-called atypical forms of employment. For the primary data collection we used an online questionnaire survey, we analyzed 320 completed questionnaires. Based on the analysis we have come up with conclusions and suggestions.

Keywords: Employment Forms, Atypical Employment, Small and Medium Enterprises, Primary Research.

1 Introduction

The economic role of small and medium-sized enterprises is remarkable since they provide a significant ratio of the GDP beside export and import activity. Based on the data of the Slovak Business Agency, more than 70% of the employees are employed by a company representing the small and medium-sized business sector (Malé a stredné podnikanie v číslach v roku 2015, 2016).

The rapidly changing market conditions of the 21st century forced the companies to consider and study the current employment trends and introduce new forms of employment e.g. home office, part-time job. These forms of employment show completely different characteristics from traditional nine-to-five jobs, and can be called atypical. Many authors point to the fact that between European countries there are many differences in the field of employment. According to Lapinová (2013) these differences have not only economic reasons but also there are several factors of sociological and cultural nature which cause these differences.

2 Problem formulation

The issue of different forms of employment has been studied by several domestic and foreign researchers. Kazuya (2005) emphasizes, that it is not so easy to clearly define what do we mean under typical and atypical patterns of employment, since what we accept today typical was considered to be atypical a few decades ago. Technological and infrastructural developments over the last decades required appropriate solutions, which can be characterized by flexibility (Makó, Cs. & Simonyi, Á., 2003). Hanzelová (2005) emphasizes the fact, that the scientific literature does not provide clear definition for typical and atypical patterns of employment. Following the labour market changes of the past period we can assume, that employment with a contract of indefinite duration and not a nine-to-five job can be considered atypical.

The atypical employment patterns provide new possibilities for small and medium-sized enterprises; introduce the possibility to decrease the social contribution costs. Unlike to socially-protected employment status, these new patterns of employment provide numerous advantages and solutions of managing human resources. These new types of employment can cut costs and increase competitiveness and efficiency. (Korcsmáros, E. & Majdúchová, H., 2016; Šubertová, E. & Tóth, M. & Tóthová, A., 2017)

Hárs (2012) listed the types of atypical employment patterns as the following:

a) part-time employees;

- b) temporary workers (employees with fixed term contract, seasonal workers, casual workers);
- c) renting workforce;
- d) work at home, teleworking;
- e) flexible working hours;
- f) self-employment.

Part-time employment is defined as people in employment (whether employees or self-employed) who usually work less than 30 hours per week in their main job. Employed people are those aged 15 and over who report that they have worked in gainful employment for at least one hour in the previous week or who had a job but were absent from work during the reference week while having a formal job attachment. This indicator, presented as a total and per gender, shows the proportion of persons employed part-time among all employed persons and is also called incidence of part-time employment. (OECD, 2017)

The increase of atypical employment patterns is driven by changing customer needs and efforts to provide cheaper and more flexible forms of employment. The adaptation to different life cycles and better work-life balance also encourage the increase of atypical patterns of employment. As Mura and Vlacseková (2017) described, motivation is very individual and managers have a hard task by motivating their employees but the part-time employment could be motivation factor as well.

Part-time employment is one of the most known forms of atypical employment patterns. In case of part-time jobs the working time is reduced to 4-6 hours a day. According to Frey (2007), the popularity of part-time employment pattern lies in faster increase of employment rate compared to full time employment pattern. The target group of part-timers can be diverse e.g. parents applying for childcare allowance, maternity leave, those who care about family members, older workers before old age pension. The employer and employee may enter a contract declaring shortened work time, or extension of shortened working hours to full time. Employees working on shorter work time receive a wage, in accordance with their working hours included in the employment contract. (Štěpánková, M. & Bendová, Š. & Koralov, M., 2015)

A mutual trust is required both from the employee and the employer to apply the atypical pattern of employment successfully in the organization. This level of trust, as a part of company culture, as Finna (2007) emphasizes, is one of the pillars of long-term cooperation. The absence of cooperation as a key factor can weaken the performance of company in terms of efficiency, competitiveness and profitability (Takácsné György, K. & Benedek, A., 2016). Neubäumer and Tretter (2008) point out that, on the one hand, atypical forms of employment reduce labor costs and redundancy costs which could be positive for companies, but on the other hand, they increase transaction costs and the cost of training and skills. (Examining this fact is not the goal of our contribution)

Being familiar with the long-term economic benefits, that is to say, the shift from old tendencies happens, because it can maintain the competitiveness of the company or help to become competitive (Laczkó, Zs., 2007). The labor market trends show, that employees and employers are ready for mobility and flexibility. Flexibility is considered to be long-term, which requires employees with special characteristics.

The research conducted by Frey (2000) emphasizes the disappearance of regular and rigid forms of employment patterns, which are gradually replaced by atypical, irregular and flexible patterns of employment. It is important to mention, that this transformation is not a result of external constraints, but the managers of companies apply atypical forms of employment to maintain competitiveness of their businesses. They have recognized and accepted the importance of this change, which

can provide help in hiring employees, decreasing unemployment or managing the fluctuation in customer demand.

Based on foreign literature the development of flexible employment arrangement could be defined into three reasons as follows:

- the changed requirements of firms operating in broader, more uncertain and more unstable economic context with constantly intensifying pressure to increase competitiveness and to cut costs;
- the changed behaviour of labour supply, with a marked increase in labour-market participation especially by women;
- changes in the labour policies by governments and the European Union as to unemployment. (Regalia, I., 2006)

For the better understanding of the current situation of part-time employment we had to compare the situation in Slovakia with situation in other countries.

With the exception of Ukraine all the neighbouring states of Slovakia were examined (the Eurostat database does not contain data about the situation of part-time employment on Ukraine). Based on the datas of Eurostat it can be said that the use of non-traditional forms of employment in Slovakia is very low. The number of part-time employees in Slovakia was in year 2016 only 11,8% (same as in Czech Republic) which is the second lowest rate within the examined countries. In Austria the proportion of part-time employment was 24,4%, in Poland 22,9% and in Hungary 8,3%. (Persons employed part-time, 2016)

3 Problem Solution

3.1 Research Objectives and Methodology

The main objective of the research is to map the employment patterns applied in small and medium-sized enterprises, with a special emphasis to introduce, in what measure businesses apply typical and atypical patterns of employment in a rapidly changing economic environment of the 21st century.

In order to achieve our research objective we decided to collect primary data with the help of questionnaire survey. We have created a database of small and medium-sized businesses operating. The questionnaire was sent via mail to companies. 320 completed questionnaires were returned and used to examine the issue. The primary data collection was implemented in the first half of 2017.

The questionnaire contained 21 questions, which can be categorized as the following:

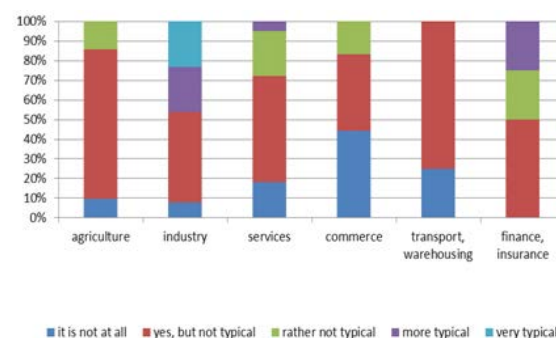
- a) questions that focus on fundamental characteristics of research sample;
- b) the presence of different employment patterns in companies and the information about them;
- c) flexible employment and related beliefs;
- d) future plans for employment.

To analyse our research data we used basic descriptive statistical methods, cross-tabulation analysis and distribution.

3.2 Research Results

All the companies, providing data for this survey apply the pattern of nine-to-five job. Nearly half of the respondents marked the flexible work pattern as an atypical form of employment. Part-time employment is characteristic for 30% of the companies, while teleworking sound popular by 2%.

Graph 1 Breakdown of atypical employment in economical sectors



Source: own editing based on primary data collection

The absolute majority (50,41%) of businesses involved in our survey provide their business activities in the service sector. Significant rate can be observed in the agricultural sector (17,36%), and trade (14,88%). Although atypical employment pattern can be recognized in all the sectors studied, it is not a widespread phenomena yet.

While 23,08% of the companies in industry sector declared, that atypical pattern of employment is characteristic, other sectors involved in our research show little presence of atypical forms of employment. (see Graph 1.)

By examining the complete sampe it can be declared, that atypical patterns of employment can be found in 55,83% of companies, but it is not characteristic at all. The answers provided by respondents were evaluated on a 5-point Likert scale (1-not typical at all, 5- very typical). The median of responses is 2 and the IQR =0,5, which allows us to accept the median as an average response by small and medium-sized enterprises.

Assumption 1 Atypical patterns of employment are linked to seasonality; therefore, it is a favorite form of employment by companies in agriculture or service sector.

Each of the indicators (Phi, Cramer V, contingency coefficient) show significant value at 5% significance level. A significant correlation can be shown between the sector the business operates in and how much the atypical pattern of employment is characterisitic for the company.

Table 1 Phi, Cramer V and contingency coefficient of the economic sector and the use of atypical forms of employment

		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Nominal by Nominal	Phi	,683			,000
	Cramer's V	,342			,000
	Contingency Coefficient	,564			,000
Interval by Interval	Pearson's R	-,130	,041	-2,332	,020 ^c
Ordinal by Ordinal	Spearman Correlation	-,153	,051	-2,760	,006 ^c
N of Valid Cases		320			

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

c. Based on normal approximation.

Source: own editing based on primary data collection

Applying cross tabulation we examined, which are those economic sectors, where atypical patterns of employment are applied, and which were the most characteristic forms of employment. 50,94% of the businesses involved in our research represent the service sector. The majority of companies in this group (28,44% of the total) declared presence of atypical employment patterns in the company, but it is not absolutely characteristic, because traditional patterns of employment are still popular to conduct some temporary tasks.

Table 2 Cross table for the appearance of the economic sector and atypical forms of employment within the companies surveyed

	It is not at all	Yes, but not typical	Rather not typical	Rather typical	Very typical	Total
Agriculture	1,88%	14,38%	2,19%	0,00%	0,00%	18,44%
Industry	0,63%	3,75%	0,00%	1,88%	2,50%	8,75%
Services	9,06%	28,44%	11,56%	1,88%	0,00%	50,94%
Commerce	6,25%	6,56%	2,81%	0,00%	0,00%	15,63%
Transport, warehousing	0,94%	2,81%	0,00%	0,00%	0,00%	3,75%
Finance, insurance	0,00%	1,88%	0,63%	0,00%	0,00%	2,50%
						100,00%

Source: own editing based on primary data collection

18,44% of the researched companies represent the agricultural sector and fisheries. The overwhelming majority of companies in the sector (77,97%, which is 14,38% of the total sample) have a presence of atypical employment patterns, but those are not clearly characteristic. In this sector, the increase of atypical forms of employment is strongly determined by the seasonality, mainly because of cultivation, crop production, harvesting and foraging. Based on the answer of the respondents, atypical forms of employment are also present, but not clearly characteristic.

On the basis of statistical analysis conducted we can conclude, that Assumption 1 is not completely valid, since atypical employment forms are applied not only in companies of agricultural sector, but other sectors of the economy as well. This is a positive factor, as it helps to make atypical employment patterns widespread, and can help the active population to make their work-life balance better.

Based on the analysis of data obtained, we managed to set up a chronological order of those atypical patterns of employment companies prefer.

Table 3 Preferred atypical forms of employment

Sequence	Atypical forms of employment
1	Flexitime
2	Part-time employment
3	Seasonal / casual work
4	Employment with the fix-term employment contract
5	Work on telework / variable locations, hire of staff
6	Home work (incorporation)

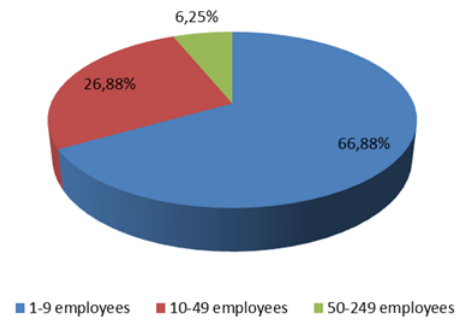
Source: own editing based on primary data collection

Flexitime was the most popular atypical form of employment, which treats the required number of working hours in a month or week flexibly. Part-time employment was marked as the second, which means reduced hours of employment compared to full-time contractors. If the workload does not require a full-time employee, this pattern of atypical employment can be an ideal choice for cost-efficiency. Seasonal /casual work was third in a rank. As the research sample was mainly represented by companies of agricultural and service sector, it is not surprising, that seasonal work is mainly characteristic in the mentioned sectors and has gained a prestigious position.

Assumption 2 Cost-efficiency is the reason why micro businesses chose atypical patterns of employment instead of traditional nine-to-five jobs.

To verify the assumption, Hypothesis 0 was formulated and Hypothesis 1 as the opposition to Hypothesis 0. To justify our assumption, the research sample was grouped according to the employee number of small and medium-sized enterprises.

Graph 2 Distribution of the companies surveyed based on the number of employees



Source: own editing based on primary data collection

66,88% of the companies in our research sample can be classified as micro businesses based on the employee number; 26,88% are small businesses, and 6,25% are medium-sized enterprises. To verify our assumption, our primary objective was to prove, whether a significant relation can be detected between the number of employees in the companies and the employment patterns applied by the company.

If we choose lambda, Goodman and Kruskal tau values to survey the number of employees in the companies and what kind of employment patterns are characteristic, we can see that the number of employees has more influence on the other variable (the company practices atypical employment forms), because the value of this dependent variable is 0,075 in case of lambda, and 1,128 with Goodman and Kruskal tau.

Table 4 Lambda, Goodman and Kruskal tau

			Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Nominal by Nominal	Lambda	Symmetric	,050	,018	2,714	,007
		Number of employees Dependent	,075	,026	2,864	,004
		How characteristic is the atypical employment of the company Dependent	,030	,025	1,157	,247
	Goodman and Kruskal tau	Number of employees Dependent	,128	,023		,000 ^c
		How characteristic is the atypical employment of the company Dependent	,067	,019		,000 ^c

Source: own editing based on primary data collection

The symmetric indicators (Phi, Cramer V, contingency coefficient) are all significant, and in case of 5% significance level there is significant relation of medium strength.

Table 5 Phi, Cramer V and contingency coefficient

		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Nominal by Nominal	Phi	,691			,000
	Cramer's V	,489			,000
	Contingency Coefficient	,569			,000
Interval by Interval	Pearson's R	,209	,083	3,803	,000 ^c
Ordinal by Ordinal	Spearman Correlation	,098	,067	1,755	,080 ^c
N of Valid Cases		320			

- a. Not assuming the null hypothesis.
- b. Using the asymptotic standard error assuming the null hypothesis.
- c. Based on normal approximation.

Source: own editing based on primary data collection

The detailed analysis of the researched sample shows, that lower is the number of company employees, more frequently companies apply one of the atypical patterns of employment.

4 Conclusion

In the rapidly changing socio-economic environment of the 21st century, due to constantly changing market and consumer demands we should emphasize the expansion of atypical patterns of employment as a different phenomenon from the standard nine-to-five employment form.

The number of companies providing services is widespread in Slovakia, and this is reflected in the examined measure. Atypical forms of employment are more present in the service sector, compared to other emerging economic sectors. We also have to define that atypical forms of employment are more or less characteristic for other sectors of economy as well. We hope that this positive fact can help the active population to make their work-life balance better. Because of the most preferred atypical form of employment is flexitime, we recommend that companies that use this kind of employment should receive different minor discounts, for example in the way the contributions are being discharged after these employees. According of the result of our research the lower is the number of company employees, more frequently companies apply one of the atypical patterns of employment. It is probably based on cost-efficiency. But also several articles point out the fact, that on the one hand, atypical forms of employment reduce labor costs and redundancy costs which could be positive for companies, but on the other hand, they increase transaction costs and the cost of training and skills. (Examining this fact is not the goal of our contribution)

We define that companies have already recognise the benefits of atypical forms of employment, but only a small percentage of SMEs have enough information about them, so it is needed to inform entrepreneurs about the atypical patterns of employment and the benefits of these new forms of employment. We think that it would be the best if all this was done with the active assistance of the Labour Office and other regional economic organizations by organizing events, conferences, forums, meetings. The Labour Office has already provided various forms of support to companies. The programmes, primarily designed to start businesses are proposed to be supplemented by programmes to inform entrepreneurs about the atypical patterns of employment and the benefits of these new forms of employment. The business events, conferences, forums organised by regional economic organizations should serve a task to provide information and emphasize the advantages of atypical forms of employment on the labour market.

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