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Rien Huiskamp, Frits Kluytmans*

Between Employment Relationships and Market Relationships: Dilemmas for HR Management**

The deployment of labour is regulated by rules laid down in labour laws, collective labour agreements and internal company rulebooks. The subject of this article is how changes in the nature of the company and in the nature of the employment relationship affect the type of rules regulating the utilization of labour. Starting point of our analysis is that in both the company and the employment relation, market pressures are increasing. For the company this implies that the borderline between the organisation and its environment is becoming fluid and for the employment relation it implies that elements of market relations are on the increase.

In the classic company the model of wage labour under a standard labour contract still dominates, while in the modern network/virtual company contracts for services is becoming a dominant way of utilization of labour. Between these two models many hybrid employment relations are developing, combining elements of both. The hybridisation of the employment relation poses several problems for HRM policy. In this article three new instruments for the management of hybrid employment relations are assessed:

- competency based appraisal systems;
- intensification of the dialogue between employee and supervisor;
- individual choice benefits systems.

Key words: **Employment Relationships, Organisational Renewal, HRM**

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1. Introduction

The deployment of labour within organisations is tied to a set of rules that stipulate what is proper and fair in the relationship between management and employees. These rules have been codified (in legislation on working hours, co-determination, health and safety) and set out in collective agreements that control employees' individual employment contracts to a large extent. There are also implicit and explicit rules that regulate the deployment of labour within individual companies. The question is: how do such rules change when an organisation's environment, the labour market or the organisation itself changes? Answering such a broad question is no easy matter, not least because sectors of industry differ so much from one another, so we have restricted ourselves in this article to how the rules governing the deployment of labour change as the type of organisation and consequently the type of employment relationship changes. Our basic premise is that the introduction of market-like elements is bringing about a shift in organisational types and employment relationships. The boundary between organisations and the market is becoming more fluid, and employees are beginning to display features that previously characterised only self-employed workers.

We will explore this issue in the following way. We begin by describing the rules governing the classic (industrial) employment relationship (1. Rules governing the classic employment relationship). We then explore the new types of organisation and attempt to classify them (2. New types of organisations?). We do the same with employment relationships (3. The employment relationship: from standard relationships to market relationships?). Both shifts have led to what Huiskamp calls "hybrid employment relationships", i.e. employment relationships that still have many of the features of a classic employment relationship but which are increasingly acquiring the traits of a market relationship, or – to be more specific – which are coming to resemble relationships based on contracts for services. It seems that the employment relationship is becoming dual in nature, and the question is how that will affect the way organisations and employment relationships are managed. We discuss some of the actual and possible effects (4. Limitless organisations and hybrid employment relationships: criticisms and consequences). We conclude our article by analysing the opportunities and threats attendant on some of the "new" regulatory instruments (5. Management of hybrid employment relationships). The underlying tone of our analysis is that the twilight zone between employment relationships and market relationships is subject to various dilemmas that will dominate the HR agenda for many years to come.

2. Rules governing the classic employment relationship

Before we explore recent changes in organisational types and employment relationships, we wish to define the general framework of our analysis. The core of that framework is the notion of the employment relationship – the object of study of personnel management –, which we have defined and discussed in detail in other publications (Huiskamp 1992, 1995; Kluijtmans and Huiskamp 1997; Kluijtmans 1999; Huiskamp 2003). From a control point of view, it is important to state up front that an

employment relationship has three dimensions to it: the exchange dimension, the collaboration dimension, and the authority dimension. Consequently, cooperative, competitive, and hierarchical tendencies operate simultaneously within the employment relationship and create inherent tensions, the result of both external and internal dynamics. The external dynamics can be described in terms of the strategic and institutional regulation of the employment relationship (Huiskamp 2003). Managements attempt to regulate the employment relationship strategically by finding the right balance between the market and their company. Institutional regulation, on the other hand, involves collective bargaining between employers' associations, trade unions, and the government. Employment relationships are also inherently dynamic.

Below is a brief summary of the most significant sources of tension in an employment relationship; for a more detailed description, see our earlier publications (Huiskamp 2003; Kluijtmans 1999).

- The first source of tension arises because labour, a production factor, cannot be separated from the person who performs it. *Labour is not a neutral good; it is highly person-specific*, and management must take account of that fact (Kluijtmans 1999).
- The relationship between time, qualifications and performance produces tensions between *performance* and the employee's long-term *labour capacity*. Key issues here include the amount of working time versus recovery time, the tension between the qualifications required for the job and the qualifications the employee actually has, and the relationship between effort and performance (Huiskamp 2003).
- The third source of tension is to be found in the fact that the *exchange is not a one-off event*; the preferences, needs and wishes of the parties involved alter in the course of time. An employer, for example, may come to demand a different type of performance, while the employee may wish to acquire new skills. These changes do not usually lead to formal changes in the employment contract; they must be incorporated into prior agreements (Huiskamp 2003).
- The fourth source of tension is related to the fact that *the various dimensions assume differences in attitude*: a businesslike attitude within the exchange dimension, a cooperative attitude when working with others in the organisation, and a subordinate attitude when faced with the employer's authority. The three dimensions are always somewhat at odds with one another. For example, the subordination dimension is somewhat contrary to the employee's need for autonomy and his desire to take the initiative in his work, something that becomes painfully obvious when employees decide to work to rule. The authority dimension can also be counter-productive when exercised too intensively, because it destroys the productive capacity of labour (Kluijtmans 1999).

If an employment relationship is to be and remain productive, these sources of tension must be regulated in some way. In the classic employment relationship (which came into being during the heyday of the Industrial Revolution), regulation took the following forms:

1. Market control was replaced as much as possible by institutional control. Trade union and employer representatives bargained with one another outside the work organisation and reached collective agreements and "objective" valuation sys-

tems, leading to a predictable exchange – certainty – and loyalty on the part of employees.

2. The “right to manage” was entirely the province of management, which used its own discretion in giving shape to the organisation, based largely on efficiency and effectiveness criteria. The position (and the quality) of labour was a minor point. Employees were expected to adapt themselves to organisational structures dictated by technology and economics.
3. The main manifestation of the authority dimension was the hierarchical management structure. Personnel officers had an important task *on the sidelines*: their job was to prevent deviant behaviour by issuing rules (for selection, assessment, remuneration, etc.) and by quickly correcting any infringements (Kluytmans 1999).

The classic company operated in a predictable environment and focused on stability and preventing disruption. It did this – as well as it could – by taking the exchange dimension outside the organisation and dealing with it there; by giving one party the right to manage; and by setting up systems and structures to regulate the authority dimension (see also Schoemaker 1998). In the classic employment relationship, market forces were replaced for the most part by institutional and hierarchical control (see also Buitendam 2001), and the sources of tension were rendered harmless. Employees were expected to leave their personalities at the factory gate; working hours were strictly regulated by government; qualifications were valid for a relatively long period of time and could be acquired quickly thanks to the strict division of labour; third parties did the bargaining and the basic attitude was one of subordination (loyalty).

As the environment in which organisations operate becomes more complex and dynamic, this “regulatory pattern” is gradually coming under attack. Particularly crucial is the pressure to produce to customer specifications and the need to innovate: organisations are now required to be flexible, adaptable, and “learning” (Evans and Doz 1992). Qualifications are becoming increasingly person-specific. Employers now want more than just the employee’s hands; they also want his head – his know-how and creativity – and his heart, in the form of customer-friendliness and service-mindedness. This is why several of the basic features of the classic employment relationship are changing. The next two sections will look at two of those changes.

3. New types of organisations?¹

We can describe the changes that organisations are undergoing in the following terms. The demand for more autonomy and flexibility has led to control and support tasks being combined with operational tasks. This basic pattern is repeated at various different levels (Huiskamp 2003):

- Within corporate groups, it is repeated in the form of business units that serve their share of the market independently;

¹ The typology of organisations and employment relationships presented in this article was developed in part with the support of a long-term government grant awarded to TNO Work and Employment for research in the policy areas covered by the Dutch Ministry of Social Affairs and Employment.

- Within companies, it takes the form of semi-autonomous work groups or teams that develop or produce a complete product, service, or system independently;
- Within individual jobs, it is repeated in the way duties combine operational, support, and control activities.
- It is this repetition of the basic pattern, from the corporate to the individual level, that gives rise to a large measure of autonomy and to more organisational flexibility. The basic idea is to shorten decision-making procedures and to improve the company's ability to adapt to changes in the market.

It is not only the basic patterns within companies that separate modern from classic types of organisations, but also the patterns between different organisations. Kuhl (1996) believes that two new types of economic organisation have come to dominate the relationships within and between companies: *profit centres within organisations* and *market networks between organisations*.

The first of these types involves the introduction of pseudo-market relationships *within* the company, with market mechanisms being used for internal coordination between autonomous organisational units (for example business units or teams). Turning the relationship between headquarters and profit centres into an economic one is tantamount to imitating markets within the organisation.

The second new type of organisation creates *pseudo-organisational relationships* within the market. Organisational mechanisms are used to coordinate the external market. Networks supply shared products and services, both within stable formations and in ad hoc combinations.

Incorporating market mechanisms into the "internal" organisation (profit centres) and coordinating the "external" organisation (market networks) creates the potential to make the management of an organisation both autonomous and flexible.

Schoemaker (1998) sees "post-modern" organisations developing into network organisations and virtual organisations. In a network organisation, the boundaries between the organisation and its surroundings dissolve; in effect, the organisation becomes limitless. Work is carried out within temporary networks dominated by temporary employment relationships. The employment relationship becomes individualised and industrial relations in the traditional sense (external and collective) lose their significance. Jobs also cease to exist and the whole point is to deliver performance within temporary collaborative structures such as teams. Within virtual organisations, all this is taken much further and there is no longer any formal relationship between the organisation and the individual. Each individual or team becomes an organisation of its own and individuals set up partnerships. This means that industrial relations no longer offer a framework for individuals; they have been dissolved, as it were. Vos and Buiteelaar (1996, p. 29) refer to the "independent professional with a specific range of knowledge and skills" as "the smallest node of a network whose composition and production target are constantly changing". Increasingly, companies and individual employees have a subcontracting relationship.

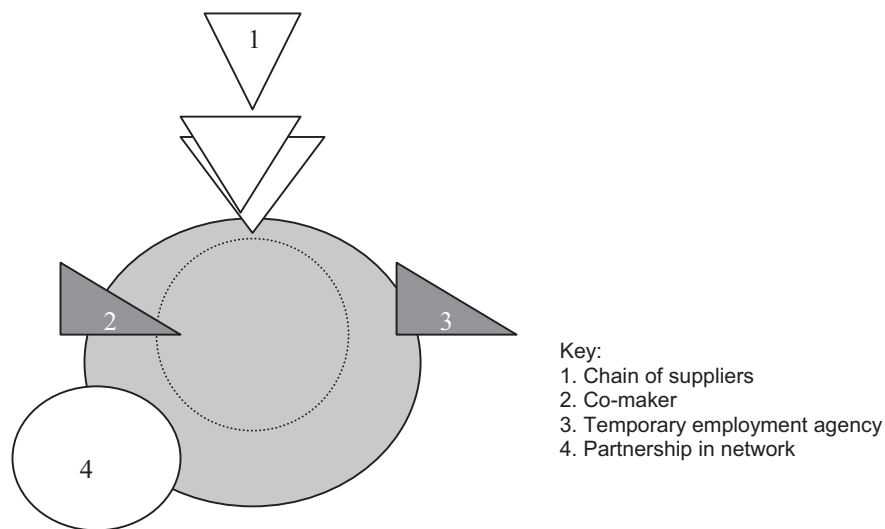
The two views provide a basis for a typology of companies (Huiskamp 2003).

Type 1: In type 1, the company is still an entity that can be clearly delineated from its environment on the basis of its products and services. The legal relationship is decisive and coincides with the actual partnership type.

Type 2: In type 2, the company is once again still an entity that can be clearly delineated on the basis of its products and services, but now suppliers, co-makers, and partnerships play an important role. The legal relationship does not necessarily coincide with the actual partnership type. Figure 1 illustrates the “type 2” company in diagram form. The figure shows four types of outsourcing/partnership:

- a chain of suppliers, for example who provide a certain part needed to assemble an end product;
- a co-maker whose employees are also involved in the company’s core activities, for example by providing IT services;
- a temporary employment agency which supplies labour by seconding employees on its own payroll to its clients on a temporary basis;
- a partnership with another company, for example involving a strategic component of R&D.

Figure 1: “Type 2” company (Source: Huiskamp 2003: 274)

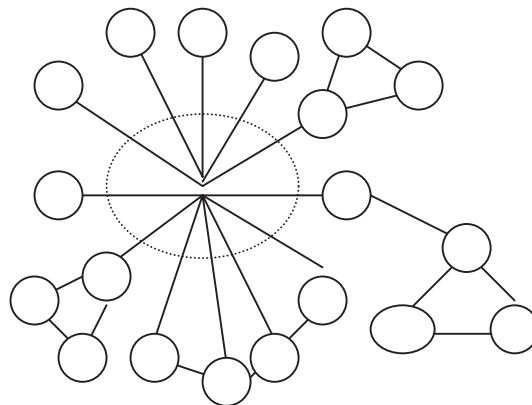


Type 3: In type 3, the company is a network organisation or virtual organisation without distinct boundaries between itself and its environment and with a whole range of hybrid employment relationships between employer and employee and market relationships between client and contractor.

This company is no longer a separate entity that can be distinguished from its environment on the basis of its products and services and its permanent staff. Permanent employees, temporary employees, the staff of suppliers/co-makers, own-account workers: all of these may be involved in a temporary project. The actual partnership type is decisive and no longer coincides with the legal relationship.

Figure 2 shows this situation in diagram form. One sees dyads of organisations, teams, or individuals; in their most elementary form, these involve two units but, in more complex situations, combinations arise of employment relations, market relations, and various hybrids of these. Within these combinations, certain concentrations may develop which are *temporarily* distinct from their environment.

Figure 2: “Type 3” company (Source: Huiskamp 2003: 275)



The prevalence of these phenomena is not yet certain. With respect to the external surroundings of an organisation, an empirical study carried out by Dhondt et al. (2000) may provide some clues. They conclude that half (50%) of companies in the Netherlands do not involve themselves at all in subcontracting and supply. They believe that 7% can be described as chain managers (companies that regularly subcontract as well as produce in house), and another 7% as network companies (companies that regularly subcontract and supply). Some 13% of companies occasionally subcontract *and/or* supply, while the remaining 23% occasionally either subcontract *or* supply – a phenomenon as old as the market economy itself.

Table 1: Degree to which Dutch companies subcontract or supply (Source: Dhondt et al. 2000)

| Type of company | Degree of subcontracting and/or supply | Percentage |
|-----------------|--|------------|
| Network company | Regularly subcontracts and supplies | 7% |
| Chain manager | Regularly subcontracts (alongside in-house production) | 7% |
| | Occasionally subcontracts and supplies | 13% |
| | Occasionally subcontracts or supplies | 23% |
| | Never subcontracts or supplies | 50% |

Dhondt et al.’s definition of a network may not be the same as that of Schoemaker, but the data they provide give us some idea of the prevalence of the “classic” company.

Although networking is becoming more common in the Dutch business community and “is no longer a peripheral phenomenon in the industrial and service sectors in the Netherlands” (Dhondt et al. 2000), it continues to be restricted in scope (14% of companies, as opposed to 86% that can be described as “classic”).

If we look at internal organisational changes, a study carried out by Steijn (2001) offers a number of insights. Steijn investigated whether the need for greater flexibility had led organisations to introduce new production concepts. He distinguished between four such concepts:

- the *Tayloristic production concept*, with a strict division of labour and little employee autonomy;
- the *professional production concept*, with a large measure of employee autonomy and skill;
- the *team-based production concept*, in which employees work in teams but in which the team itself can only take a restricted number of autonomous decisions;
- the *socio-technical production concept*, in which the employees work in teams and in which the team can take a large number of autonomous decisions.

Steijn’s study shows that the traditional Tayloristic production concept no longer dominates (see table 2).

Table 2: Dissemination of production concepts in the Netherlands, in percentages
(Source: Steijn 2001)

| | |
|-----------------|------|
| Tayloristic | 25.4 |
| Professional | 29.2 |
| Teams | 33.3 |
| Socio-technical | 12.1 |
| N=775 | 100 |

These figures show that professional settings and working in teams are much more common than the traditional production concept. They also reveal that greater organisational adaptability does not necessarily require production concepts offering employees more autonomy. The dominant production concept today is evidently the team-based concept, sometimes referred to as neo-Tayloristic.

4. The employment relationship: from standard relationships to market relationships?

Recent years have seen the emergence of a whole range of hybrid employment relationships. In these hybrids, the relationship between the employer and employee – or more accurately, between the client and the contractor – has market-like features. Huiskamp (2003) offers a number of examples:

- *own-account workers or free agents who nevertheless do much of their work for one particular client*. They are outside the company but very much involved with it (often they are former employees). They have one foot inside the employer’s organisation, so to speak;
- *seconded workers who are on their actual employer’s payroll but who are closely involved with their employer’s client*. They have one foot outside the employer’s organisation.

- *permanent employees who have a multi-skilling arrangement with their employer which also involves their being trained for external positions and allows them to work as trainees outside the company while their job is held for them.* They are inside the company, but are already focusing their efforts outside it. They too may already have one foot outside the employer's organisation;
- *employees with an output contract.* Output contracts focus on the result or the performance achieved by the employee. An output contract does not specify the number of hours to be worked or a fixed working time; the employee does the work in the time necessary to complete it.
- *employees with a telework contract.* Teleworkers no longer have a desk or office of their own at the company's premises. The company still has meeting rooms, "concentration areas", and short-stay, medium-stay, and long-stay workplaces available, but the employee also has somewhere to work at home. Employees enter into a supplementary telework contract with their employer regarding the work they do at home and the investment involved in setting up their home office. In more commercial environments, such employees come to feel more responsible for customer contact and for bringing in orders (Huiskamp et al. 2002).

The underlying principle for all these different types of hybrid relationship is that employees need to be able to deal independently with customers, for example when providing financial advice, dealing with patients in the care sector, or consulting with the staff of a commercial client when working on a joint project. Their ability to deal independently with customers follows on from the autonomy and the responsibility they bear in their work (control and support tasks being combined with operational tasks).

A shift is in fact taking place in the types of work carried out within companies, from process-oriented work (repetitious, and with efficiency and rapid throughput being important) towards a combination of client-driven work (relationship with customer is key, service is important) and project-driven work (one-off jobs, focusing on achieving certain results within a certain time, and on cost and quality parameters).

As in the typology of companies, the new types of work involve a subtle mixture of increasing autonomy and flexibility. This is hardly surprising, given that market forces are coming to play a greater role in employment relationships: as Kuhl would put it, individuals are becoming profit centres and market networks are being created between individuals and companies.

Just how prevalent these phenomena are is open to debate. De Beer (2001) studied trends in employment relations in the Netherlands between 1970 and 1998. All in all, permanent jobs declined from 80% of total employment to 77%, but a permanent position remains the dominant type of appointment. The percentage of fixed-term jobs (i.e. an employment contract for less than a year or a non-permanent contract) has remained small, but doubled from 5% to 11% (although this percentage fell again after 1998, probably owing to the tight labour market). The percentage of own-account workers fell from 15% to 12%. The real revolution has been in the shift from full-time to part-time jobs, with full-time contracts falling from 68% to 50% and part-time contracts rising from 12% to 26%.

In their comparative European study, Goudswaard and Andries (2002) found the following figures. Between 1996 and 2000, the percentage of part-time jobs in the Netherlands rose significantly (from 31% to 44%), while the percentage of employees on non-permanent contracts fell (from 17% to 13%). The small percentage of own-account workers remained constant during this period.

Table 3: Employment status 1996-2000 (Source: Goudswaard/Andries 2002)

| | Own-account workers | | Non-permanent employees | | Part-time employees | |
|-------|---------------------|------|-------------------------|------|---------------------|------|
| | 1996 | 2000 | 1996 | 2000 | 1996 | 2000 |
| NL | 2 | 2 | 17 | 13 | 31 | 44 |
| EU-15 | 9 | 10 | 15 | 13 | 22 | 28 |

The overall trends for Europe as a whole are:

- an increase in the percentage of own-account workers
- a decline in the percentage of non-permanent employees
- an increase in the percentage of part-time employees

There is no mention (as yet) of own-account workers or free agents in the statistics. There may be three reasons for this (Huiskamp 2003):

- It is too soon for this trend to have become visible; that will only happen in a few years' time.
- Such workers tend to have a permanent job and a supplementary contract; in other words, there is an internal change within the standard employment relationship.
- The trend has been exaggerated; what we are seeing are consultants writing about their own work.

What is the difference between a standard employment relationship and a hybrid one? Salespeople, representatives and managers have long had “non-standard” employment relationships. Many of them are subject to a “different” regime of employment conditions than that laid down in collective agreements. The type of employment relationship that has traditionally applied to employees in these categories – a permanent individual employment contract with an individual performance-based and/or turnover-related pay system and only limited rules concerning working hours – goes back a very long way (indeed, we could say that all these newfangled non-standard employment relationships consist of nothing more than applying this very model to increasingly large groups of employees).

Table 4 Differences between standard and hybrid employment relationships
(Source: Huiskamp et al. 2003)

| | Standard employment relationship | Hybrid employment relationship |
|-----------------------|----------------------------------|--|
| Nature of appointment | Permanent | Permanent (as a rule) or temporary |
| Place of work | On site at employer's | Multiple places (home, at customer's) |
| Time regime | Specified in detail | Not specified (in detail) |
| Remuneration base | Based on job and age/experience | Based on results/performance |
| Type of work | Continuous process | Projects with clearly defined start and finish |

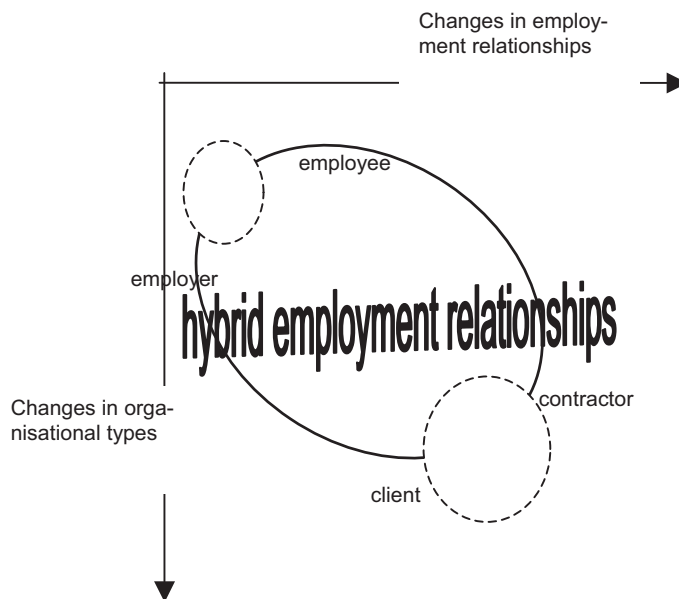
Nevertheless, if we compare the classic, standard employment relationship to more hybrid types, we arrive at the following picture (table 4):

5. Limitless organisations and hybrid employment relationships: criticisms and consequences

We have suggested that employment relationships have begun to display the features of market relationships, and that organisations are becoming “limitless”, two phenomena illustrated in figure 3 below. The vertical axis represents a continuum running from the standard company via the network company right through to the virtual company. The horizontal axis represents a continuum that runs from the standard employment relationship via a hybrid, “market-like” relationship right through to almost fully-fledged market relationships or contracts for services.

Whereas the two parties in the classic company, the employer and the employee, are involved in an employment relationship, at the other end of the continuum, in the network or virtual company, the two parties are the client and the contractor involved in a market relationship. In between these two extremes is a wide range of hybrid employment relationships.

Figure 3: From employment contract to contract for services
(Source: Huiskamp et al. 2003)



A critical look at limitless organisations and pure market relationships

If these trends continue unchecked, employment relationships will eventually change into client-contractor relationships and organisations will basically disappear, a linear

projection that British and American researchers have not hesitated to make (see, for example, Bridges 1995 and Rifkin 1995). In our view, however, that is putting things rather too simply and ignoring a number of advantages that standard organisations and employment relationships offer.

Kuhl (1997), for example, levels three criticisms at the modern concepts of profit centres and market networks, referring to their fundamental weaknesses. To begin with, dissolving organisational boundaries threatens the internal cohesion of the organisation. The company is at risk of “dissolving” into its environment and as a result will lose its ability to manage matters vis-à-vis that environment. After all, it is precisely the boundary between the company and its surroundings that gives it its *raison d’être*. Secondly, the inexorable urge to become flexible leads to an almost permanent state of uncertainty, in particular among the employees. Thirdly, setting up smaller autonomous units may well simplify the internal complexity of the organisation, but it increases the external complexity at the same time.

Replacing employment relationships by market relationships has various disadvantages as well. A market relationship often requires a fairly detailed, comprehensive contract of sale between two market parties regarding the price of a particular performance. In Marsden’s view (1999), the employment relationship offers three major advantages in that respect:

- It enables the employer and the employee to replace a large number of successive transactions by a single one, namely the employment contract.
- It allows the employer to put off giving precise assignments and instructions after the employee has entered its employ.
- It gives the employee security.

Having a single contract is more efficient than having multiple contracts, both for the employer and the employee, but what is also important is that many employers wish to set limits on employee autonomy, while many employees want to restrict the degree of flexibility being required of them.

Possible consequences of limitless organisations and hybrid employment relationships

Despite these criticisms both the classic, standard organisation and the classic employment relationship are clearly under pressure. The question is what this will mean for the control or management of organisations and employment relationships.

- Because the legal relationship does not necessarily coincide with the actual partnership type, who or what is actually in control and how much authority does “the organisation” actually exercise? This question can lead to complex coordination issues, some of them HR-related. Who is subject to which rule, who has authority over what, who supervises whom? A further question is whether HR policy should stop at the boundaries of the company’s organisation – to the extent that one can recognise them as such – or whether coordination is required at network level and, if so, who controls that process.
- When teams and individuals are allowed greater autonomy, the position of “the organisation” becomes weaker with respect to the individual. After all, the individual acquires a growing level of autonomous control. At a certain point, “the

organisation” simply ceases to exist as a controlling and unifying entity (in particular where network organisations are involved), and the question then is which control factors still remain. Schoemaker (1998) argues that “the management of work shifts from a relationship typified by ‘organisation controls individual’ (the classic model) to a relationship typified by ‘individual (or group of individuals) manages individual (or group of individuals)’: a fluid model in which the classic organisation dissolves...” (i.e. ceases to exist). The aim of combining autonomy and control has led a growing number of organisations to turn to output management, in which it is the results, and not the processes, that count. Output management can, however, have many unwanted effects (De Bruijn 2002). Employees start to focus exclusively on the output criteria and ignore other matters of relevance to the organisation, such as innovation and risk-taking. The Enron affair and the Ahold scandal are painful examples of this at organisational level, but individuals can also exhibit strategic behaviour of this type. In response, the number of criteria often increases and the assessment techniques are refined – take, for example, the balanced scorecard – but the risk of “mushrooming” then looms: the system expands and new output definitions are added, making it necessary to supply increasingly detailed information (De Bruijn 2002). We see the same problem arise in competency management systems in which five sub-competencies are derived from five core competencies and are then specified with five behavioural criteria. The end result is a list of 125 behavioural skills, as well as a lot of bureaucracy and bogus management (Huiskamp 2003).

- In theory, “limitless” organisations offer employees more opportunities for promotion and personal development because they make it simpler to transcend boundaries. They do not offer job security, but they do offer work security. The idea is that an employability policy will promote job flexibility of this kind. Perhaps the “new employee” can cope with all of this, but the reality has turned out somewhat differently: the new employee has turned out to be a rather shy creature (Bolweg and De Korte 1994). Another study also reveals that between 1994 and 2000, there was scarcely any increase in the percentage of employees who intended changing jobs (from Steijn 2001). Finding a permanent job with a single employer is still the ideal for many “new employees”.
- As organisational boundaries become more fluid, individuals are less inclined to identify with “the organisation”, and as a result their commitment to it may crumble. One of the key questions discussed by Sennet (1998) is how employee loyalty and commitment can be ensured in organisations that continually break up or merge into one another. Sennet believes much of the work performed in network, project-driven and flexible organisations is undefined and transient, something that can have a very negative impact on the wellbeing of their employees. They may feel a loss of identification with and loyalty to the organisation, uncertainty about their contribution to the whole, and may suffer burn-out symptoms. They work on “projects”, even if their employment contract is permanent. Working in teams results in casual ties, unlike the fixed, hierarchical structures of the past. As soon as a project is finished, the employee is forced to prove himself in

yet another role and yet another team. His relationship to the company is much more casual than in more traditional organisations. The result, in Sennet's view, is that people become disoriented. After all, they derive part of their identity from their profession and from the company they work for (Dekker 1998).

What we are arguing, in essence, is that organisations will not become entirely limitless (and, in effect, cease to exist), nor will employment relationships be transformed into pure market relationships. What we do expect is for the main trends influencing organisations and employment relationships today to continue:

- organisational boundaries will become more fluid, employees at the base of the organisation will have more autonomy, and market forces will play a bigger role within the organisation;
- employment relationships will come to incorporate more and more market elements, leading to hybrid employment relationships.

6. Management of hybrid employment relationships

We have already pointed out that employment relationships are intrinsically dynamic in nature. In other words: tension is inherent to employment relationships, and that is why they need to be regulated properly. The classic form of regulation has come under pressure, however, as the number of market elements in the employment relationship grows. For some time now, various companies have been attempting, some rather hesitantly, to find new ways of regulating these tensions. Without pretending to provide a complete picture, we will attempt to give three examples of these new, primarily internal regulatory types/instruments and to evaluate them in terms of the associated opportunities and threats when it comes to managing the four sources of tension identified in our discussion of "The rules governing the classic employment relationship". Our three examples are:

1. the aforementioned attempts to focus on the behaviour/personality of employees, for example by ceasing to regard the job as the building block of the organisation and instead viewing the organisation as a concentration of competencies;
2. the introduction of performance appraisal reviews, personal development plans and other coordination points, sometimes resulting in a "third contract". Such methods are an attempt to take better account of shifting organisational requirements and the needs of individuals with respect to working times and performance. They help the employee and his direct superior to engage in more intensive dialogue concerning their mutual expectations (see Huiskamp et al. 2002);
3. the introduction of individual choice benefits systems, which make it possible to key into employees' individual wishes and the changing nature of those wishes in the course of time.

We will look in detail at the first two examples, and only briefly at the third one. For more detailed practical examples and a review of how employment relationships are managed in terms of opportunities and threats, see Huiskamp (2004).

Source of tension: labour is person-specific

As a factor in production, labour cannot be separated from the person who performs it. Changes in the performance standards that organisations are required to meet make this all the more evident because employers – as we mentioned earlier – now need more than the employee’s hands; they also want his head (his know-how and creativity) and his heart (in the form of customer-friendliness and service-mindedness). What opportunities and threats are associated with using competency profiles, with intensifying the dialogue between the employee and his superior, and with individual choice benefits systems? The following table provides an indication.

Table 5

| Competency-based appraisal systems | Intensified dialogue between employee and superior | Individual choice benefits systems |
|--|--|---|
| <p>Opportunity Working with competency profiles instead of job profiles offers the <i>opportunity</i> to make the organisation more person-specific; it is no longer the job that is the building block, but the individual with his specific competencies</p> | <p>Opportunity Continuously assessing and responding to one another’s expectations (whether or not in the form of a “third contract”) is a way of acknowledging the importance of the individual employee’s contribution.</p> | <p>Opportunity Giving individuals a choice as to their employment terms takes proper account of the changing demands employees regarding work in their various life stages. Individual choice means they are better able to achieve a healthy work/life balance.</p> |
| <p>Threat The <i>threat</i> underlying this more person-specific manner of organising is that it may undermine the employees’ sense of distributive justice. Employees always compare themselves with others. Despite all the criticisms levelled at them, job evaluation systems have a major advantage in that they constitute an “objective” system for dividing up the proceeds between the members of the organisation. If we neglect the demand for distributive justice, collaboration may suffer and individual employees may be demotivated and feel a lack of commitment.</p> | <p>Threat The flip side is that managers can become seriously overworked. Planning meetings, performance reviews, career reviews, and job evaluations – these can all take up a lot of time in the manager’s diary. There is the further danger that by delegating the authority to make new arrangements to managers, the organisation will undercut the unified nature of its overall policy and raise expectations that cannot be met.</p> | <p>Threat The threat is that employees can also make the wrong choices, shutting the door to further choices in the future. The administrative red tape involved can also grow to unmanageable proportions.</p> |

Source of tension: relationship between labour capacity and performance

Labour is deployed in organisations in order to deliver a particular performance, and the priority is to make the best possible use of an employee’s capacity to perform. When employees work in a rapidly changing environment, however, their performance quickly deteriorates. That is why, in addition to utilising an employee’s performance, modern organisations are greatly concerned to keep his labour capacity up to standard. What opportunities and threats are associated with using competency pro-

files, with intensifying the dialogue between the employee and his superior, and with individual choice benefits systems? See the table below.

Table 6

| Competency-based appraisal systems | Intensified dialogue between employee and superior | Individual choice benefits systems |
|--|---|---|
| <p>Opportunity Ongoing efforts to match individual competencies, organisational wishes, and multi-skilling will work to the advantage of labour capacity in the future.</p> | <p>Opportunity Raises the alarm at an early stage if an employee's labour capacity is being undermined or is under-utilised.</p> | <p>Opportunity Makes it possible to strike a better balance between workload and work capacity.</p> |
| <p>Threat We have already mentioned the risk involved in focusing exclusively on performance. The problem is that not enough thought is given to the need to provide for long-term labour capacity. Too much emphasis on maintaining an employee's labour capacity, on the other hand, may have a negative effect on his performance. The only way to resolve this dilemma is to ensure sufficient opportunities to learn on the job.</p> | <p>Threat May lead to frequent negotiations on performance and output targets, something that can chip away at the relationship between the employer and the employee.</p> | <p>Threat The assumption is that individuals will know the ideal balance between workload and work capacity for themselves, both now and in the future; however, as with the first source of tension, the future may not always be entirely clear and they may make choices now that preclude a secure future.</p> |

Source of tension: changes over time

The expectations that the parties in an employment relationship have of one another are not static but subject to change over time. The third contract keys into this idea because it allows the parties to amend their expectations without affecting the formal employment relationship that they agreed on earlier. Another response to the mutable nature of such relationships is multi-skilling, i.e. improving functional flexibility so as to prepare for an uncertain future. The threat in both instances is that employees will become blocked and disoriented when too much emphasis is placed on the uncertain future, a theme that, as we have seen, Sennet has already touched on.

Source of tension: negotiation, collaboration and subordination

The rise of market-like relationships, both within organisations and in employment relationships, is likely to have the biggest impact. Negotiations will once more take place inside the organisation, leading to possible tensions, as negotiating runs contrary to the need for collaboration and subordination (authority). In point of fact, this is not as big a problem in actual companies as it may seem. Huiskamp et al. (2002) have observed that employees not only *take company interests into account*, they also *reason from the point of view of the company*. In that sense, they seldom negotiate strategically and opportunistically. But the same researchers have noted another problem: what happens is that a "third contract" – the first being the collective agreement and the second the individual employment contract – is created, made up of new and shifting agreements

tailored to the specific situation of the individual employee. This is no by means an explicit contract, but more an expression of the parties' mutual expectations on a wide range of different issues. A separate "mini-contract" is concluded for each such issue (working hours, performance targets, training, teleworking). The balance between the exchange dimension and the need to continuously acquire new competencies can also be upset. Organisations that fail to "reward" ambitious employees in some fashion will soon come up against the limits of multi-skilling.

7. Conclusion

The classic company operated in a predictable environment and focused on stability and preventing disruption. It did this – as well as it could – by taking the exchange dimension outside the organisation and dealing with it there; by giving one party the right to manage; and by setting up systems and structures to regulate the authority dimension (see also Schoemaker 1998). In the classic employment relationship, market forces were replaced for the most part by institutional and hierarchical control (see also Buitendam 2001).

As the environment in which organisations operate becomes more complex and dynamic, this "regulatory pattern" is gradually coming under attack. Particularly crucial is the pressure to produce to customer specifications and the need to innovate: organisations are now required to be flexible, adaptable, and "learning" (Evans and Doz 1992). Qualifications are becoming increasingly person-specific. Employers now want more than just the employee's hands; they also want his head – his know-how and creativity – and his heart, in the form of customer-friendliness and service-mindedness. This is why several of the basic features of the classic organisational type and the classic employment relationship are changing. Employment relationships have begun to display the features of market relationships, and organisations are becoming "limitless". These changes have led to a number of dilemmas:

- What are the limits to HR policy in a "limitless" organisation?
- Is it possible to have autonomy in the workplace *and* control behaviour at the same time?
- How can a minimum level of certainty be provided in a situation that is, by definition, uncertain?
- How can loyalty be fostered when organisations become more temporary and less tangible in nature?

More specifically, HR policy-makers must seek out new ways of regulating the intrinsic sources of tension within employment relationships. We have reviewed three new, primarily internal regulatory types/instruments (competency-based appraisal systems, intensified dialogue between employee and superior, and individual choice benefits systems) and assessed the opportunities and threats associated with them when they are used to manage sources of tension.

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