

Quantor Corporation's Contingent Workforce

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NOTE: This case is based events at an organization described in S. Nollen and H. Axel, *Managing Contingent Workers* (New York: AMACOM, 1996). Some facts have been changed to provide a fuller discussion of issues.

This case may be used by current adopters of:

S. L. McShane *Canadian Organizational Behaviour*, 5th ed. (Toronto: McGraw-Hill Ryerson, 2004); S. L. McShane & M. A. von Glinow, *Organizational Behavior*, 3rd ed. (Boston: McGraw-Hill, 2005); S. L. McShane & T. Travaglione, *Organisational Behaviour on the Pacific Rim*, 1st ed. (Sydney: McGraw-Hill Australia, 2003)

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In 1995, Quantor Corp., a large manufacturer of computer printers and other peripherals, established a task force to determine the most appropriate use of contingent workers throughout the company. The company had started to rely on contract, part-time, and temporary help agency people to fill temporary jobs. At the time, this represented less than one percent of Quantor's workforce, and the company wanted to review these practices to ensure consistency and effectiveness.

After reviewing current ad hoc practices, the task force concluded that Quantor needed contingent workers when demand for the company's products expanded rapidly or a new product is launched. Quantor needed this workforce flexibility because of uncertain production demand beyond the short term. At the same time, the task force warned that treating contingent workers the same as permanent employees would undermine the benefits of flexibility, create false hopes of permanent employment among contingent workers, and possibly create feelings of inequity between the two groups. Thus, policies were introduced that treated contingent workers differently from permanent employees.

Quantor's task force established two contingent worker categories: on-call and on-contract. On-call people are employed by Quantor as part-time staff. They work a full day, but only up to two-thirds of the hours of a full-time permanent employee. Their managers can alter their work schedules at will to suit production demands. On-contract people are employed full-time by Quantor for a fixed period, usually six months. Their contract may be renewed up to three times for a maximum employment of two years.

On-call and on-contract employees received no employee benefits other than the government mandated minimum vacation and holiday pay. Benefits therefore represented approximately 10 percent of their total pay, compared to nearly 40 percent for permanent employees. However, contingent workers earned the midpoint of the pay grade for their job group, which represented 15 percent above the entry rate. This rate was paid even when the contingent worker lacked experience in the job.

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Quantor's Contingent Workforce Problems

In 1998, three years after Quantor's task force recommendations, the contingent workforce policy was in trouble. Current practices succeeded in creating a more flexible workforce, and there was some evidence that using contingent workers increased profitability. However, these practices created unanticipated problems that became apparent as the percentage of contingent workers increased.

One problem was that few people who wanted only contract employment. Most were seeking full-time permanent work and were using their contingent position as a stepping stone to those jobs at Quantor. The result was that many contract workers remained for the entire two year maximum period and beyond. The company was reluctant to apply the task force's recommendation of not renewing contracts beyond two years because of the perceived arbitrariness of this action as well as loss of knowledge to the organization. Several contract staff members asked the company for an employee-paid benefit package (benefits are mainly employer-paid for permanent employees). However, Quantor rejected this because it would add further permanence to their employment relationship.

Quantor's managers also began to complain about the company policy that contingent workers could not be offered permanent employment. They appreciated the opportunity to select permanent employees based on observations of their performance in on-contract or on-call positions. Quantor's task force had warned against this practice because it might create inequities and raise false expectations about the likelihood of permanent employment. Managers acknowledged this risk, but the inability to permanently hire good contract staff was frustrating to them.

The third problem was that Quantor's treatment of contingent workers was incompatible with its organizational culture. Quantor had a strong culture based on the philosophy of employee wellbeing. The company had a generous benefits package, supportive leadership, and a belief system that made employees a top priority in corporate decisions. The company did not treat contingent workers in a way that was consistent with this philosophy. Yet if Quantor treated contingent workers the same as permanent staff members, then flexibility would be lost. For example, managers would continue renewing contract workers even when their employment was not essential, and would be reluctant to schedule on-call people at awkward times.

Quantor's team orientation was also incompatible with its use of contingent workers. Permanent staff members frequently gathered to discuss organizational and group decisions. Contingent workers were not invited to these team activities because they might be working at Quantor for only a few more months. This barrier created some awkward moments for managers as contingent workers continued working while permanent employees went to meetings and team sessions.

As these problems intensified, senior management formed another task force to re-examine Quantor's contingent workforce policy. The company needed contingent workers, but it was increasingly apparent that the current practices were not working.