

Advantages and disadvantages of temporary employees essay sample

[Business](#), [Employment](#)



During the 1990-2008 periods, employment in the temporary help services industry grew from 1. 1 million to 2. 3 million and came to include a larger share of workers than before (Luo, Mann, Holden, 2010). Employment in this industry has been very volatile because, temporary employees offer great advantages to businesses. As of today, businesses are using full time temporary employees as an alternative to reduce their cost and remain profitable and competitive in the market. However, along with this assumption this research want to explore the pros and cons of such approach and demonstrate if in reality this strategy is a cost reduction approach to the high and expensive staffing activities in the manufacturing industry. Advantages of Temporary Employees

Many businesses use temporary employees to supplement their staffing needs and as a strategy to reduce their staffing cost. Depending on the circumstances, temporary work arrangements can be both beneficial and detrimental to businesses (Kirk, Belovics, 2008). The first advantage the author discussed is flexibility. In a highly competitive business environment, a company is capable of adapting its workforce to meet changing labor demands (Kirk, Belovics, 2008). Temporary Employees can be available when needed and let go without notice when the assignment is completed or the production requirements are low. Temporary workers can be use for short-term assignments or years. In addition, many businesses use temporary employees on a trial basis to test their abilities to do the job (Admin, 2010).

Another advantage is the cost reduction. Usually compensation to temporary employees is less than compensation to permanent employees (Admin, 2010). In addition, organizations are not incurring in additional hiring fees or firing costs. Immediate expertise is another advantage. In high skilled occupations, temporary employees can offer immediate expertise. The temporary agency can offer different levels of skills to meet the client specific needs (Ono, 2009). The author of “ Advantages of Temporary Employees” (Admin, 2010) considers motivation as another advantage. He states that temporary employees want to make a good impression and have a good work ethics because they want to cause a good impression hoping they can be hired through the company and become permanent employees with benefits.

Disadvantages of Temporary Employees

As stated in the section above, temporary work arrangements can be beneficial and detrimental to businesses. Although the benefits are substantial, various drawbacks to temporary work exist. This section will discuss some of the disadvantages of hiring temporary employees and the effects to the businesses. The first disadvantage is low productivity.

Temporary employees are often considered less productive than permanent workers (Ono, 2009). According to the author, (Ono, 2009) a Kilcoyne study shows that for a given low skilled occupation, temporary employees receive lower hourly wages and this might be a reflection of their lower productivity. Another disadvantage will be lack of motivation. On low skilled jobs where expertise or reputation is not important for future employment, it is difficult to motivate temporary workers to achieve a high level of performance

because they feel their efforts will not be rewarded (Ono 2009). Another drawback will be confidentiality. Privacy and leaks of sensitive materials are areas where businesses could have issues when using temporary workers. Lack of company loyalty can be considered a disadvantage. Some temporary workers do not feel loyalty to the company and are unwilling to embrace the company mission and values (Kirk, Belovics, 2008).

Another disadvantage is the lack of commitment. Some temporary employees do not feel any commitment towards the business and are more likely to have attendance issues (Tutors 2U, n. d.). Likelihood of errors is also a disadvantage. In many cases, temporary employees have not gone to company training thoroughly. Insufficient training increases the risk of errors and can compromise the quality of the products (Kirk, Belovics, 2008). In addition, some employers believe they are not responsible for the wrongful acts of the temporary employees. However, recent rulings in court have declared that a business using temporary workers might be held liable for the worker actions as if the temporary workers were its own employees. Due to this, it is important that the employer check the credentials and background of all employees including those of temporary workers. However, because employers rely in the temporary agency to perform background checks it is important that the business perform a thorough research about the temporary agency they are going to use before selecting one (Hansen, 2007). Cost of Temporary Employees

With the downturn in the economy and the recent recession, businesses are using different business strategies to remain profitable and competitive. One

common strategy is using full time temporary employees as a strategy to reduce their staffing costs. This section will present the pros and cons of this business strategy and if this approach is in fact a good business strategy to reduce staffing costs. Businesses feel attracted to this strategy because it represents immediate cost savings to the organization by eliminating the hiring and firing expenses along with employee benefits. Some of the hiring and firing expenses include advertising, screening, processing documents for new employees, and training. On the other hand, firing costs can include mandated or voluntary severance payments. In addition, some other adjustment costs come from government policies such as mandatory advance notice of layoff and the financing of mandated unemployment compensation (Ono, 2009).

Benefits costs include health insurance, vacation pay, and holiday pay (All Business. com, n. d). However, the All Business article, “ The Cost of Temporary Workers,” suggest that if we think this assumption is true we need to think again. Studies suggest that hiring temporary employees generally cost the same or just slightly less compared to bring on permanent employees (All Business, n. d). This is mainly because the businesses have to pay to the temporary agency a markup premium over the hourly rate paid to the temporary employee. The mark up over wages paid to the temporary worker depends on the assignment, job specialty, experience required, and any other special requirements stipulated by the company. Markups can range as low as 25 percent to as high as 100 percent or higher (Ono, Sullivan, 2006). Usually temporary agencies set up a markup for regular hours and a

higher mark up for overtime hours. This practice can be expensive and can quickly add up especially when the businesses have a high number of temporary employees. Up to this point, we explored the explicit costs, now we need to consider the implicit costs like lower productivity and quality issues (Ono, 2009).

As we discussed in the disadvantages section temporary employees tend to be less productive because of the lack of commitment and loyalty to the company. Due to this, the company somehow needs to determine the financial impact of the decrease in productivity. This will imply more overtime or more temporary labor. Another thing that businesses need to consider is financial impact of the quality issues caused by the temporary labor. Not only the company will have to work more overtime to perform sort and rework of the product, but also, the company will need to consider the possible impact with the customer. As we see in this section, businesses need to take in consideration the long-term financial impact of lower productivity and quality issues. Besides the immediate savings on benefits, hiring and firing costs. Somehow, they need to quantify how much the decrease in productivity and quality issues is going to cost. Conclusion

Hiring temporary employees can provide great advantages to an organization. As presented in this paper temporary employees add great flexibility to an organization as well as expertise in highly skilled positions. This research also proved this could be a good cost reduction strategy if it is well thought and managed. The research shows business need to do a thorough investigation of the temporary agency before making a selection.

Businesses also need to be clear on the terms and conditions of the contract with the temporary agency, especially those related with the markup rate. Otherwise, instead of being a cost reduction activity could result in a disaster and a very costly staffing strategy.