The Institutional Context for Temporary Staffing: A European Cross-national Comparative Approach

A thesis submitted to the University of Manchester for the degree of Doctor of Philosophy in the Faculty of Humanities

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<td>ADM</td>
<td>Workers Organisation of Milk Control and Animal Breeding (Arbeitnehmerverband deutscher Milchkontroll und Tierzuchtbediensteter)</td>
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<tr>
<td>AESC</td>
<td>Association of Executive Employment Consultants</td>
</tr>
<tr>
<td>ALEB</td>
<td>Agricultural Workers Union (Arbeitnehmerverband land- und ernährungswirtschaftlicher Berufe)</td>
</tr>
<tr>
<td>ALP</td>
<td>Association of Labour Providers</td>
</tr>
<tr>
<td>AMP</td>
<td>Association of Medium sized Temporary Employment Agencies (Arbeitgeberverband Mittelständischer Personaldienstleister)</td>
</tr>
<tr>
<td>APA</td>
<td>Association of Employment Agencies (Asociace Pracovních Agentur)</td>
</tr>
<tr>
<td>APPS</td>
<td>Association of Providers of Personnel Services (Asociace poskytovatelů personaliních služeb)</td>
</tr>
<tr>
<td>APSCO</td>
<td>Association of Professional Staffing Companies</td>
</tr>
<tr>
<td>ARP</td>
<td>Association of Recruitment Professionals</td>
</tr>
<tr>
<td>ASO</td>
<td>Agriculture and Nutrition Workers Trade Union (Odborový svaz pracovníků zemědělství a výživy – Asociace svobodných odborů ČR)</td>
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<tr>
<td>ASWEB</td>
<td>Association of Social Work Employment Businesses</td>
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<tr>
<td>ATSCO</td>
<td>Association of Technology Staffing Companies</td>
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<tr>
<td>AÜG</td>
<td>Law on Temporary Agency Work (Arbeitnehmerüberlassungsgesetz)</td>
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<td>AWD</td>
<td>Agency Worker Directive</td>
</tr>
<tr>
<td>AWR</td>
<td>Agency Worker Regulations</td>
</tr>
<tr>
<td>BA</td>
<td>Federal Employment Agency (Bundesagentur für Arbeit)</td>
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<td>BAG</td>
<td>German High Labour Court (Bundesverfassungsgericht)</td>
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<td>BAP</td>
<td>Bundesarbeitgeberverband der Personaldienstleister (Federal Employers’ Association of Personnel Services)</td>
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<td>BCC</td>
<td>British Chambers of Commerce</td>
</tr>
<tr>
<td>BDA</td>
<td>Confederation of German Employers’ Associations (Bundesvereinigung der Deutschen Arbeitgeberverbände)</td>
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<tr>
<td>BERR</td>
<td>Department for Business, Enterprise and Regulatory Reform</td>
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<tr>
<td>BIGD</td>
<td>Association of Industry, Trade and Services (Beschäftigtenverband Industrie, Gewebe, Dienstleistung)</td>
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<tr>
<td>BIS</td>
<td>Department for Business, Innovation and Skills</td>
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<td>BMWA</td>
<td>Federal Ministry of Economics and Labour (Bundesministerium für Wirtschaft und Arbeit)</td>
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<tr>
<td>BRE</td>
<td>Better Regulation Executive</td>
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<tr>
<td>BWT</td>
<td>Federal Ministry of Economics and Technology (Bundesministerium für Wirtschaft und Technologie)</td>
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<td>BZA</td>
<td>Bundesverband Zeitarbeit Personal-Dienstleistungen (Federal Association of Temporary Work Agencies)</td>
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<td>C181</td>
<td>Convention 181 on Private Employment Agencies</td>
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<td>CBI</td>
<td>Confederation of British Industry</td>
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<tr>
<td>CDU</td>
<td>Christian Democratic Union (Christlich Demokratische Union)</td>
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<tr>
<td>CEC</td>
<td>Council of the European Communities</td>
</tr>
<tr>
<td>CEE</td>
<td>Central and Eastern Europe</td>
</tr>
<tr>
<td>CEP</td>
<td>Council of the European Parliament</td>
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<td>CGB</td>
<td>German Christian Trade Union Federation (Christlicher Gewerkschaftsbund Deutschlands)</td>
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<tr>
<td>CGBCE</td>
<td>Christian Union of Mining, Chemical and Energy (Christliche Gewerkschaft Bergbau-Chemie-Energie)</td>
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<td>CGDE</td>
<td>Christian Union of German Railway workers (Christliche Gewerkschaft deutscher Eisenbahner)</td>
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<td>Description</td>
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<tr>
<td>CGM</td>
<td>Christian Metal Union (Christliche Gewerkschaft Metall)</td>
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<td>CGPT</td>
<td>Christian Union of Postal Services and Telecommunications (Christliche Gewerkschaft Postservice und Telekommunikation)</td>
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<tr>
<td>CGZP</td>
<td>Christian Unions Trade Union Organisation (Christlicher Gewerkschaftsbund)</td>
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<tr>
<td>CIETT</td>
<td>International Confederation of Temporary Work Businesses</td>
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<td>CIS</td>
<td>Construction Industry Scheme</td>
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<td>CME</td>
<td>Coordinated Market Economy</td>
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<tr>
<td>CMKOS</td>
<td>Czech-Moravian Confederation of Trade Unions (Českomoravská konfederace odborových svazů)</td>
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<td>CWU</td>
<td>Communication Workers Union</td>
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<tr>
<td>ČSÚ</td>
<td>Czech Statistical Office (Český statistický úřad)</td>
</tr>
<tr>
<td>CZK</td>
<td>Czech crown/koruna (currency)</td>
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<tr>
<td>DAG</td>
<td>German White Collar Workers Union (Deutsche Angestellten-Gewerkschaft)</td>
</tr>
<tr>
<td>DGB</td>
<td>Confederation of German Trade Unions (Deutscher Gewerkschaftsbund)</td>
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<tr>
<td>DH</td>
<td>Department of Health</td>
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<td>DHV</td>
<td>National Association of Commercial Employees (Deutschnationaler Handlungsgehilfenverband)</td>
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<td>DIHK</td>
<td>Association of German Chambers of Industry and Commerce (Deutscher Industrie und Handelskammertag)</td>
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<td>DIW</td>
<td>German Institute for Economic Research (Deutsch Institut für Wirtschaftsforschung)</td>
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<tr>
<td>DTI</td>
<td>Department of Trade and Industry</td>
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<td>DWP</td>
<td>Department for Work and Pensions</td>
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<td>EAS</td>
<td>Employment Agency Standards Inspectorate</td>
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<td>EC</td>
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<td>ESF</td>
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<td>European Union</td>
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<tr>
<td>EU LFS</td>
<td>European Labour Force Survey</td>
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<tr>
<td>EVG</td>
<td>Railway and Transport Union (Eisenbahn und Verkehrs gewerkschaft)</td>
</tr>
<tr>
<td>FDP</td>
<td>Free Democratic Party (Freie Demokratische Partei)</td>
</tr>
<tr>
<td>FPB</td>
<td>Forum for Private Business</td>
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<tr>
<td>FPR</td>
<td>Forum for Private Recruiters</td>
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<tr>
<td>FRES</td>
<td>Federation of Recruitment and Employment Services</td>
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<tr>
<td>FSB</td>
<td>Federation of Small Businesses</td>
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<tr>
<td>FTE</td>
<td>Full Time Equivalent</td>
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<tr>
<td>GEW</td>
<td>Union for Education and Science (Gewerkschaft Erziehung und Wissenschaft)</td>
</tr>
<tr>
<td>GfP</td>
<td>Trade Union of the Police (Gewerkschaft der Polizei)</td>
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<tr>
<td>GLA</td>
<td>Gangmasters Licensing Authority</td>
</tr>
<tr>
<td>GÖD</td>
<td>Public Services Union (Gewerkschaft Öffentlicher Dienst und Dienstleistungen)</td>
</tr>
<tr>
<td>HBV</td>
<td>Trading, Banking and Insurance Union (Gewerkschaft Handel Banken und Versicherungen)</td>
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<tr>
<td>HMRC</td>
<td>HM Revenue and Customs</td>
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<tr>
<td>IEC</td>
<td>Institute for Employment Consultants</td>
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<tr>
<td>IG BAU</td>
<td>Industrial Union of Construction, Agriculture and Environment Workers (Industriegewerkschaft Bauen-Agrar-Umwelt)</td>
</tr>
<tr>
<td>IG BCE</td>
<td>Industrial Union of Mining, Chemical and Energy Workers (Industriegewerkschaft Bergbau, Chemie, Energie)</td>
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<tr>
<td>IG Metall</td>
<td>Metal Workers Union (Industriegewerkschaft Metall)</td>
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<tr>
<td>IGZ</td>
<td>Association of Germany Temporary Work Agencies (Interessemengemeinschaft Deutscher Zeitarbeitsunternehmen)</td>
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<tr>
<td>Acronym</td>
<td>Full Form</td>
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<tr>
<td>ILO</td>
<td>International Labour Organisation</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>IoD</td>
<td>Institute of Directors</td>
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<tr>
<td>IRP</td>
<td>Institute of Recruitment Professionals</td>
</tr>
<tr>
<td>IW</td>
<td>Institute For Business Research (Institut der Deutschen Wirtschaft)</td>
</tr>
<tr>
<td>IZA</td>
<td>Institute for the Study of Labour (Forschungsinstitut zur Zukunft der Arbeit)</td>
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<tr>
<td>JCP</td>
<td>Jobcentre Plus</td>
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<tr>
<td>KFG</td>
<td>Motorists Union (Kraftfahrergewerkschaft)</td>
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<tr>
<td>KOK</td>
<td>Christian Labour Federation (Křesťanská odborová koalice)</td>
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<td>LEAF</td>
<td>London Employment Agencies Federation</td>
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<td>LFS</td>
<td>Labour Force Survey</td>
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<tr>
<td>LME</td>
<td>Liberal Market Economy</td>
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<td>LMI</td>
<td>Labour Market Intermediary</td>
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<tr>
<td>MLSA</td>
<td>Ministry for Labour and Social Affairs (Ministěrvo práce a sociálních věcí)</td>
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<td>MMEs</td>
<td>Mediterranean market economies</td>
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<td>MoU</td>
<td>Memorandum of Understanding</td>
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<td>MSP</td>
<td>Managed Service Provider</td>
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<td>MSTA</td>
<td>Managed Service to Agency Resources</td>
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<td>NGG</td>
<td>Food and Restaurant Workers Union (Gewerkschaft Nahrung Genuß Gaststätten)</td>
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<td>NHS</td>
<td>National Health Service</td>
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<tr>
<td>ONS</td>
<td>Office for National Statistics</td>
</tr>
<tr>
<td>OS DLV</td>
<td>Trade Union of Workers in Woodworking Industry, Forestry and Water Management (Obdorový svaz pracovníků dřevozpracujících odvětví, lesního a vodního hospodářství v České republice)</td>
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<tr>
<td>OS KOVO</td>
<td>Czech Metal Workers Federation (Obdorový svaz KOVO)</td>
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<td>OSPO</td>
<td>Trade Union of Commercial Employees (Obdorový svaz pracovníku obchodu)</td>
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<td>ÖTV</td>
<td>Public Services, Transport and Traffic Union (Gewerkshaf Öffentliche Dienste, Tranport und Verkehr)</td>
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<td>PES</td>
<td>Public Employment Service</td>
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<td>PPP</td>
<td>Public Private Partnership</td>
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<td>PSA</td>
<td>Personal Service Agency (Personal-Service-Agenturen)</td>
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<tr>
<td>REC</td>
<td>Recruitment and Employment Confederation</td>
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<td>RPO</td>
<td>Recruitment Process Outsourcing</td>
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<tr>
<td>SIA</td>
<td>Staffing Industry Analysts</td>
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<tr>
<td>SME</td>
<td>Small and Medium sized enterprise</td>
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<tr>
<td>SP CR</td>
<td>Confederation of Industry in the Czech Republic (Svaz průmyslu a dopravy)</td>
</tr>
<tr>
<td>SSIP</td>
<td>Social system of innovation and production</td>
</tr>
<tr>
<td>SSP</td>
<td>Social system of production</td>
</tr>
<tr>
<td>SUIP</td>
<td>State Labour Inspection Office (Státní úrad inspke práce)</td>
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<tr>
<td>TAW</td>
<td>Temporary Agency Work</td>
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<tr>
<td>TNC</td>
<td>Transnational Corporation</td>
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<tr>
<td>TSA</td>
<td>Temporary Staffing Agency</td>
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<td>TSI</td>
<td>Temporary Staffing Industry</td>
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<tr>
<td>TUC</td>
<td>Trade Union Congress</td>
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<tr>
<td>UCATT</td>
<td>Union of Construction, Allied Trades and Technicians</td>
</tr>
<tr>
<td>USDAW</td>
<td>Union of Shop, Distributive and Allied Workers</td>
</tr>
<tr>
<td>VDT</td>
<td>Association of German Sound Technicians (Verband Deutscher Tonmeister)</td>
</tr>
<tr>
<td>VOC</td>
<td>Varieties of Capitalism</td>
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Abstract

Since the early 1990s the temporary staffing industry experienced rapid growth in many areas of Europe, although the extent and rate of this growth varied across the continent. The existing literature on labour market intermediaries and the temporary staffing industry fail to adequately address the importance of national institutional arrangements. This thesis addresses the research lacuna by providing a comparative study of temporary staffing industries in three different political-economic contexts: the United Kingdom, Germany and the Czech Republic. This contributes to a greater understanding of the role of the temporary staffing industry in each country, how it is structured, and the key institutions involved.

These three case studies profile the size and characteristics of each temporary staffing industry but also discuss the key institutions present in each case, and the relationships which drive or restrict its change. This thesis includes analysis of both quantitative and qualitative data to provide a detailed picture of each national temporary staffing industry. The research reveals three nationally distinctive formations of the temporary staffing industry within the context of the European Union.

While the UK has the largest temporary staffing industry in Europe, it remains highly fragmented. With an established presence in many sectors of the labour market the industry seeks to increase its presence in professional occupations, and its collaboration with public employment services. While the temporary staffing industry in Germany has experienced significant growth since 2003, resistance remains from the trade unions against the use of temporary agency work, and the state remains greatly involved in determining working conditions. The presence of collective bargaining between the trade unions and trade associations remains a key relationship in this system. The temporary staffing industry in the Czech Republic is still in the early stages of growth and as such regulations are still being formulated, and agencies are still establishing branch networks in an environment where a large number of informal agencies are already present.

While temporary staffing agencies and trade associations remain active in pursuing growth for the temporary staffing industry, the extent to which these changes took place varied between countries. This thesis argues the form of each national temporary staffing industry is a reflection of the complex historical, and contemporary, national institutional arrangements, and as such, its form and role varies.
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Dedication

This thesis is dedicated to my sister, Ruth Watts (1994-2011), who passed away during the completion of this research, but has remained a source of inspiration throughout the PhD journey.
Acknowledgements

It would not have been possible to complete this thesis without the help and support of many people, a few of whom will be mentioned here. In particular I would like to thank my supervisors Prof. Neil Coe and Prof. Kevin Ward for their endless support, guidance, patience and encouragement throughout the PhD process. I would also like to thank other members of staff in the School of Environment and Development not only for their administrative support, but for providing such a friendly environment to work in. Thanks also to the Economic and Social Research Council and the Adecco Institute for providing the financial support for this research. I am also indebted to the participants who gave their time to talk to me, and without whom this research would not have been possible.

There are a great number of friends I should thank for their support during the time it has taken to complete this thesis. Special thanks to: Ioanna for a continuous paper-clip war that never failed to amuse me; and to Sarah and Kathryn for giving me home – albeit briefly. Other friends I am grateful to, Rose, Beth, Emma, Lisa, Jason, Rali, Claire, Emilee, Andy, Jana, Yue, Constantinos and Guy who have all made the PhD journey much more enjoyable. I should also thank those friends from elsewhere around the country who provided distractions and entertainment whenever possible: Laura C, Laura H, Tom, Emma, Will and Kim.

I am indebted to my parents for their support during these past few years. Thanks to Dad for constant logistical and practical help of moving me all over the country, as well as the continued supply of coffee. Thanks to Mum for the encouragement, and support over the years. Finally, thanks to Carlos for the unwavering encouragement, and providing the happiness in life that makes everything else seem a little bit easier.
1 Introduction: exploring national variegation of the temporary staffing industry

1.1 The development of the temporary staffing industry

In November 2008 the final terms of the European Agency Workers Directive were agreed, to be implemented by member states by December 2011. The Directive was designed to create a level playing field for the temporary staffing industry (TSI) in the European Union (EU), removing unjust restrictions on temporary agency work (TAW), combined with measures to ensure fair treatment of temporary agency workers. In reality, it was not that simple: reactions to the Directive across the EU were mixed, with agencies and trade associations from some countries claiming it would be disastrous for the TSI, creating additional costs that would make temporary staffing unviable. In some countries trade unions claimed the regulations were not strict enough. Others welcomed the Directive as a means to guide the development of their regulations, and some were indifferent, as sufficient regulations were in place, and this Directive demanded little adjustment. These mixed reactions were driven by the varied nature of the TSI in different national contexts in Europe.

The year this Directive was finalised there were 11,500 temporary staffing agencies in the UK, but nine in Greece, with 1.2 million and 8,000 temporary agency workers (full time equivalents) respectively (Ciett, 2010b). This size variation hints at the differences across the continent, where a whole host of regulatory environments existed, some conducive for the TSI, others more restrictive. This research seeks to uncover some of the specific institutional environments that exist in Europe, and how they affect the form and activity of the TSI. Walking along Whitehall in London, along Friedrichstraße past Checkpoint Charlie in Germany, and across the Charles Bridge in Prague to reach interviewees for this research acted as a stark reminder of the distinctly different historical contexts within which these countries have developed. It is therefore not surprising that any industry would experience distinct forms of development given the specific institutional contexts in each case.

In the mid 20th century temporary staffing was associated with low-skilled or office workers, and the term 'Kelly Girl' emerged, describing the women from the agency Kelly Services, who would provide the temporary office and secretarial workers in the United States. This term later became applied to many temporary workers independent of the work sector they were placed in, or regardless of the company they were associated with. Many temporary staffing agencies emerged in order to provide short term staffing solutions. However, the industry has undergone significant transformation; moving beyond the market niche as a service provider to client firms with short term staffing
needs, temporary staffing agencies have been transforming to provide a range of employment solutions across the labour market in many different countries. Since the late 1980s the TSI has experienced a substantial increase in size and presence in labour markets across the globe. By 2010, Europe represented the largest regional entity for the TSI, constituting 38% of the industry's €247 billion global revenue, and 26% of the global number of temporary staffing agencies (Ciett, 2012). The TSI has been an active agent in changing its labour market conditions (Gonos 1998; Peck and Theodore, 1998; 2007a). The TSI would traditionally concentrate in the manufacturing and service sectors but has expanded into many different areas of the economy to provide jobs in healthcare, construction, business, education, and a wide range of services (Neugart and Storrie, 2006). In the US and Western Europe, the TSI has evolved from a small-scale service provider, located in a handful of large industrial and major administrative centres, to a near ubiquitous and diversified business sector, offering a variegated package of services in markets across the globe.

Temporary staffing agencies (both the large transnational, and smaller domestic agencies) are employers, involved in supplying workers to client firms for a period of time. It is important to distinguish temporary staffing agencies from other private employment agencies who seek workers for firms, but where the employment contract is held directly with the employer firm (Gonos, 1997). It is also important to distinguish temporary agency work from other types of contingent work (such as temporary contracts direct with employers or part time work), which have all challenged the 'standard employment relationship' deemed to be the norm throughout most of modern society (see Vosko, 2000; Olsen and Kalleberg, 2004). Temporary agency work involves a triangular relationship between an employer (firm), an agency (a second firm), and a worker, whereby an agency hires workers for the purpose of placing them in contracted placements (often open-ended) provided by client firms (Bronstein, 1991).

The pronounced expansion of the TSI and the processes of transformation it is experiencing makes this a relevant contemporary area of study. Client firms seeking flexibility have increasingly turned to temporary staffing agencies (Storrie, 2002). These agencies are one component of the temporary staffing industry, and their interactions with other institutions, as part of a wider labour market, are important for shaping the landscape for labour (Coe et al., 2008). A national temporary staffing industry then, is comprised of a multitude of actors and interactions, which can include: regulations on temporary staffing agencies and mainstream employment; welfare provision; involvement of the state in employment; national and international trade bodies; trade unions; domestic temporary staffing agencies; transnational temporary staffing agencies; and the
composition of the wider economy. This thesis argues that the TSI in different national contexts will be shaped by the particular arrangements of these institutions.

1.2 Theoretical framework

The theoretical framework for this research draws from three areas of literature: systems of economic organisation; labour markets and intermediaries; and the temporary staffing industry. The varieties of capitalism approach provides a broad introduction to the classification of national systems based on institutional 'complementarities' (Hall and Soskice, 2001a). Under the broad umbrella of varieties of capitalism, a critical review of literature in this thesis integrates alternative taxonomies, including business systems (Whitley, 1999), welfare regimes (Esping-Andersen, 1990), national systems of innovation (Lundvall, 1990), social systems of production (Boyer and Hollingsworth, 1997) and social systems of innovation and production (Amable, 2000). These theories seek to classify national systems according to their institutional arrangements and the importance of different aspects of these systems. While this approach supports study at the national scale, it fails to account for diversity of national system formations. Furthermore, the labour market is rarely included as a crucial institution in the economic system. Therefore, the framework in this thesis also considers different approaches to the formation of labour markets, and the institutions which constitute them. Labour market intermediaries represent a key labour market institution, which has yet to be fully incorporated into considerations of the wider labour market systems. Furthermore, a noticeable gap both in the literature related to the national economic systems, and labour markets, is the existence of the TSI as a specific form of labour market intermediary.

Literature focused on the development and international expansion of business services is sporadic. For some sectors such as advertising, banking/finance, law, management consultancy and computer software services, there is a solid understanding of dynamics and drivers (see Beaverstock et al., 1999; Coe, 1997; Jones, 2003; Moular, 1996). For other sectors, such as architecture, environmental consultancy, head-hunting and property services, knowledge is more scarce (although see Faulconbridge, 2008). While only a few studies have thus far considered the globalisation of the TSI (Ward, 2003; Peck et al., 2005; Coe et al., 2007a; 2011a) there is a growing body of literature which has sought to explore the processes of internationalisation and diversification of the TSI (Coe et al, 2011a; Ward, 2004).

The concept of a national TSI, introduced by Coe et al. (2009a, see also Peck and Theodore, 2002; 2007), suggests that the form, operation and development of the TSI are all affected by specific institutional arrangements. This was developed in the context of
Australia, but changes to the TSI in the Czech Republic, Japan, Poland, Sweden and the UK, have also been considered as part of a wider project on the globalisation of the industry (Coe et al., 2008, 2009a, 2009b 2011a, 2012). Research on the development of the TSI in the US and the UK has also been conducted (Peck and Theodore, 2002; 2007a; Forde and Slater, 2005; Ward, 2003). However, the specific formations of nationally distinctive temporary staffing industries or the institutional arrangements shaping their development have yet to be explored. Building on the conceptualisation of a national TSI, this thesis presents empirical evidence for three distinctive national formations of the TSI influenced by their surrounding institutional contexts. The overall aim of this thesis is to provide a comparison of three different national temporary staffing industries, illustrating the importance of the institutional context in each case. The research identifies different national formations of the TSI and its role in the three different labour markets. For such purposes the thesis addresses the cases of the UK, Germany and the Czech Republic, broadly representing neoliberal, corporatist and post-socialist political-economic systems within the European context. In addition, these countries provide temporary staffing industries which are different in terms of size and development. The UK has the longest history of temporary staffing in Europe, Germany experienced significant growth since 2003, and temporary agency work has only been legalised in the Czech Republic in 2006, therefore these countries also had significantly different features to allow effective comparison. This research explores the features of each national temporary staffing industry, the relationships that constitute a TSI, and the extent to which the broader institutional arrangements have shaped its development.

This exploration of national systems should be set against wider discussions of globalisation and convergence. While some academics such as Ohmae (1990; 1995) argue that globalisation is causing national systems to converge, it should be recognised there is strong theoretical and empirical evidence for observing the 'national' as a useful concept when addressing differences in systems of economic organisation (Gertler, 1992; Edwards and Elgar, 1999; Peck and Theodore, 2007b). Contradicting claims of convergence, there is evidence that institutional practices are not converging across economies (Hall and Gingerich, 2003:22). However, theoretical suggestions and some empirical evidence actually highlight an increase in both convergence and divergence (see Whitley, 1994; Kitschelt et al., 1999; Katz and Darbishire, 2000). Freeman (1995) points out that the processes of global standardisation (convergence) and increasing diversity (divergence) in fact co-exist. In the case of the European Union this is particularly relevant, some elements of national convergence may be experienced, against a context of a continued role of the nation state.
As a result, this thesis examines the national formation of the temporary staffing industry while also recognising the wider European context. This is explored through a series of research questions. What is the role of the TSI in different national contexts? What are the interactions and interdependencies between temporary staffing agencies and other public and private sector intermediaries in different national contexts? To what extent are the activities undertaken by agencies, such as where workers are placed, and in what sectors, shaped by the national context? To what extent do agencies represent active agents of labour market change in different national contexts? Finally, to what extent are there convergence tendencies between temporary labour systems? This thesis asserts that a more detailed analysis of individual temporary staffing industries is required to avoid viewing European labour market systems as homogenous, and therefore determined by EU-wide legislation. Instead it is argued that a conceptualisation is required that recognises the key components of the TSI, the interactions which constitute it, and how they are shaped by a complex array of relationships both within the national system, and beyond.

1.3 Structure of the thesis

The remainder of the thesis consists of seven chapters. Chapter 2 presents the theoretical foundations for the research, with a review of theorisations of comparative national systems, supported by a consideration of national labour markets and conceptualisations of the TSI. It continues by presenting a framework for studying national formations of the TSI, drawing together issues related to national economic systems, the importance of labour and the presence of labour market intermediaries. This research seeks to make a theoretical contribution to the comparative study of national systems, highlighting the importance of particular institutions, with a greater focus on labour markets and in particular labour market intermediaries. The specific research questions approached in this thesis are outlined at the end of Chapter 2.

In order to understand the wider continental setting within which the case study national temporary staffing industries are embedded, an exploration of the European context is necessary. Chapter 3 highlights the diversity in the extent and characteristics of temporary staffing in Europe, and is split into five sections. This begins with a consideration of differences in European labour markets, followed by an outline of developments in European employment policy. The focus then shifts to exploration of the presence of temporary staffing agencies, and temporary agency workers across the continent. This acts as a point of reference for the case studies explored in this research. Features of, and changes to, regulation of the TSI and the wider labour market have been highlighted as a key factor in triggering expansion of temporary staffing, and are explored in this
chapter. This includes a discussion of the European Agency Workers Directive, the driving forces behind its development, and the implications this has had for different countries in the EU. The chapter finishes with an introduction to, and justification for, the three case studies which form the empirical part of this thesis.

Chapter 4 outlines the philosophical and methodological approach undertaken in this research. The chapter begins with a wider discussion of the philosophical underpinnings of the research, before moving on to the research methods, including a discussion of the use of case studies in comparative research. This continues with an explanation of the process of institutional mapping and undertaking qualitative interviews, which generated the empirical data analysed in this thesis. The nature of the institutions relevant for this research meant that interviews were conducted with those termed 'elites', and the implications of this are then considered. This leads into a wider discussion of analysis, positionality and ethics in research.

The findings of this research are discussed in detail in Chapters 5, 6 and 7, through three case studies. These chapters use empirical data to discuss and illustrate the relationships that shape each national TSI. For purposes of comparison these chapters follow a similar structure, beginning with an outline of the characteristics of the TSI in terms of size, form and growth for temporary staffing agencies and temporary agency workers. This is followed by a discussion of the regulation of the TSI in each context, and the implications this has had for the activities of the industry. The chapters then develop the discussion of key features of each national TSI.

Chapter 5 presents analysis of the UK TSI which has one of the largest markets for temporary staffing in Europe, and while viewed as a liberal political-economic system, the chapter argues it faces increasing pressures from European institutions. The chapter discusses developments in public-private partnerships and the wider employment role of the TSI, arguing that there is a developing 'public' role for the private sector. The empirical findings for the German TSI are analysed in Chapter 6. The chapter argues that this TSI is heavily shaped by interactions between trade associations, trade unions and government, through processes of collective bargaining. This continues with analysis of the controversial use of in-house temporary staffing agencies in Germany, and the debates this has stimulated between different actors regarding the use of temporary agency work and the treatment of temporary agency workers. While the engagement between temporary staffing agencies and public employment services in Germany is not as well established as in the UK, links are emerging, and this feature is explored. Chapter 7 then presents an analysis of the Czech Republic TSI, an emerging market for the industry in Central and Eastern Europe. Here temporary agency work has only been legal since
2006; the result of this is a more embryonic TSI, where regulation is developing and agencies are expanding. The chapter argues the features of this national TSI are connected to the country's transition from a centrally planned economy where the labour market was heavily controlled by the state.

Chapter 8 draws upon all three case studies to provide a comparative summary of the three national temporary staffing industries, presenting key theoretical contributions for the study of TSI and national economic systems, based on the evidence presented in this thesis. The TSI in its many forms is not a passive actor in the labour market, and through its development of various institutional relationships has sought to expand and secure its position in the labour market. In the UK this takes the form of expanding relationships with the public sector, in Germany addressing the negative image of the industry and engaging with actors involved in collective bargaining, and in the Czech Republic establishing a presence in the labour market, and justifying their position as legitimate employers. This thesis confirms that a series of different national temporary staffing industries exist due to variability in the institutional arrangements in each national system, and the analysis presented here provides three examples of the variegated nature of the industry. The chapter also considers the theoretical contribution of the research to the study of both national systems and the temporary staffing industry. Methodological considerations stemming from this research are outlined, and potential avenues for further research are also suggested.

This thesis presents the first comparative study of three distinctive national temporary staffing industries. This contributes to a growing body of literature on the TSI and labour market intermediaries, facilitating a greater understanding of the role of the TSI, how it operates in different political-economic systems, and the influence of the wider European context. The next chapter provides a critical review of relevant academic literature in order to construct a theoretical approach adopted in this research.
2 Theorising national variations in temporary staffing

2.1 Introduction

This chapter aims to critically examine the elements of the theoretical framework which inform the understanding of national varieties of the temporary staffing industry (TSI) explored in this thesis. The framework is formed through consideration of theoretical approaches to national economic systems, the incorporation of labour in the wider economic system, and conceptualisations of the TSI. Several approaches have developed which explore different formations of national political-economic systems, placing emphasis on particular institutions. Labour markets represent a key component of any national system, yet do not always feature as a primary focus in the literature on institutional arrangements. Therefore this review attempts to incorporate discussions of labour and how different forms of labour markets have been theorised, narrowing the focus onto labour market intermediaries as a particular labour market institution. Temporary staffing agencies represent a specific form of labour market intermediary and, collectively with other institutions in the labour market, constitute a nationally distinctive TSI. This chapter draws together the literature on these areas to form an approach that uncovers such variety.

This thesis focuses on the comparison of three national temporary staffing systems. However, a consideration of wider explanations for national difference is necessary to form a foundation for the approach utilised. Section 2.2 reviews a suite of comparative approaches which consider national economic systems under the broad umbrella of ‘varieties of capitalism’: varieties of capitalism, national systems of innovation, social systems of production and social systems of production and innovation. These cognate approaches stem from a range of disciplines including political economy, sociology, business studies and geography. Each approach places emphasis on particular institutions and institutional arrangements to explain national difference. These approaches, however, provide an incomplete scope, particularly when static categorisations of countries are generated. Section 2.3 discusses critiques of the broad varieties of capitalism approach, and how these influenced the framework used in this thesis. This section then highlights the importance of labour as a component of a national economic system, and reviews explanations for different labour market systems and institutions, including labour market intermediaries. Section 2.4 then narrows to the core focus of this thesis, introducing literature which has addressed the TSI. This begins with an examination of the literature charting the global growth dynamics of the TSI, followed by a discussion of research which focuses on the client firm and client worker perspectives on temporary staffing. This precedes a consideration of literature which
addresses the TSI in terms of internationalisation, diversification, and the 'agency' of agencies in shaping the development of the industry. Finally Section 2.5 conceptualises the national temporary staffing industry, arguing that national varieties are influenced by specific institutional arrangements. The research questions explored in this thesis are also introduced.

2.2 The varieties of capitalism approach

In the early-19th century Weber and Marx recognised the formation of different types of capitalism: booty capitalism, merchant capitalism, modern capitalism, monopoly capitalism and state capitalism (Gerth and Mills, 1948: 66-7). This constituted an early version of a later debate about the different institutional formations of political-economic systems. The varieties of capitalism literature emerged in the early 1990s in response to accounts of globalisation which contended that countries were essentially converging towards a single form of capitalism after the fall of the Berlin Wall (Ohmae, 1990; Fukuyama, 1992). This 'varieties' literature originated from France and continental Europe (Boyer, 1990; Albert, 1993), bearing a counter-argument; there was no single form of capitalism, but instead clear national variations between capitalisms. These ideas took inspiration from the Regulation Theory pioneered by Parisian economists such as Boyer (1990), Aglietta (1979) and Lipietz (1987), who developed a critique of orthodox economics and its view of economies in the wake of the economic crises of the 1970s. Regulation theory sought to explain the structures of capitalist economies and how these changed over time, by 'analysing the institutional infrastructure around, and through which, capitalist development proceeds' (Tickell and Peck, 1995: 363), and also to provide a theoretical framework for analysing institutional relationships over time and space (Boyer, 1990; Tickell and Peck, 1995).

While the term 'varieties of capitalism' was originally coined by Hall and Soskice (2001b), it is more frequently applied to a much broader suite of approaches, which although developed by different authors from different disciplines, share the same broad point of view on studying national systems. They are distinguished in this thesis by using VoC for the Hall and Soskice (2001b) approach, and 'varieties of capitalism' for the broad approach. Each approach places emphasis on different elements of the national system in explaining economic variety; considering these approaches collectively contributes to a greater understanding of the determinants of different national systems of economic organisation (summarised in Table 2.1).
<table>
<thead>
<tr>
<th>Approach and Key Authors</th>
<th>Discipline</th>
<th>Typology</th>
<th>Key Concepts and Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Varieties of Capitalism (VoC): Hall and Soskice (2001a)</td>
<td>Political Economy</td>
<td>Co-ordinated marked economy: (e.g. Germany) Liberal Market Economy: (e.g. United Kingdom)</td>
<td>Four systems: Financial system; industrial relations system; education and training system; inter-firm system. Key Actors: Firms; business associations, trade unions and banks. Institutional complementarities give rise to comparative advantage in different systems and therefore different levels of economic growth.</td>
</tr>
<tr>
<td>Business Systems: Whitely (1996; 1999)</td>
<td>Business Studies</td>
<td>Fragmented Co-ordinated industrial district Compartmentalised State Organised Collaborative Highly co-ordinated</td>
<td>Three broad areas in which business systems can be compared: o Nature of the firm as the key economic actor in a particular economy and the ways in which firms develop and compete. o The connections that firms develop with each other in the same industry or markets, and across industrial sectors, are clearly interrelated with their distinctive capabilities and skills and form particular patterns of market organisation. o How activities and skills are coordinated and controlled within firms.</td>
</tr>
<tr>
<td>Welfare Capitalism: Esping-Andersen (1990)</td>
<td>Economic Sociology</td>
<td>Liberal: (e.g. Australia; Canada; United States; United Kingdom; New Zealand; Ireland) Conservative: (e.g. Italy; Japan; France; Germany; Finland; Switzerland) Social democratic: (Austria; Belgium; Netherlands; Denmark; Norway; Sweden)</td>
<td>Historical characteristics of states, especially class coalitions, are a decisive cause of welfare -state variations. Two dimensions: o Degree of decommodification of labour. o Presence of social stratification promoted by social policy.</td>
</tr>
<tr>
<td>National Systems of Innovation: Lundvall, (1992; 2002)</td>
<td>Business Studies</td>
<td>No typology, individual national systems of innovation generated for individual cases.</td>
<td>Almost all institutions that have an effect on the accumulation of knowledge, skills and innovations, particularly, science and technology and firms. Innovation is the source of growth and hence dominates every other area of economic life. Technology is the most important determinant of economic progress.</td>
</tr>
<tr>
<td>Social Systems of Production (SSP): Boyer and Hollingsworth(1997)</td>
<td>Economic Sociology</td>
<td>Market based: (e.g. United States; United Kingdom; Australia) Asian Capitalism: (e.g. Japan) Social Democratic: (e.g. Germany; Sweden) Continental European: (e.g. Spain; France) Southern European: (e.g. Italy)</td>
<td>Different institutions and forms of organisation cohere together, but the different elements vary in the degree in which they are tightly coupled with each other into a fully fledged system. Institutions do no act through incentives alone, they shape modes of representation of the world for agents. Several elements are considered: the industrial relations system; the training system; the internal structure of corporate firms; the financial markets of a society; the conceptions of fairness and justice held by capital and labour; the structure of the state and its policies.</td>
</tr>
<tr>
<td>Social Systems of Innovation and Production (SSIP): Amable (1999)</td>
<td>Political Economy</td>
<td>Market based: (e.g. United States; United Kingdom; Canada; Australia) Meso-corporalist: (e.g. Japan; Korea) Social Democratic: (e.g. Finland; Sweden; Denmark) European: (e.g. France; Germany; Netherlands; Belgium)</td>
<td>The different subsystems are characterised by a certain mix of institutions and organisations that are inherited from history and partly transformed by political action and purposeful agents. The compatibility of each sub-system defined the growth trajectory of nations. Six subsystems: science; technology; industry; labour force; education and training; finance.</td>
</tr>
</tbody>
</table>

Source: Author's Compilation.
2.2.1 Varieties of capitalism

The first approach, varieties of capitalism (VoC), represents one of the most influential bodies of knowledge used in the study of national systems of economic organisation, understood as an analytical framework for understanding the multitude of institutional arrangements present across modern industrial capitalist economies. Drawing on the work of Williamson (1985) on transaction costs economics and the evolution of modern institutions, as well as works from the 1960s that began to theorise capitalist systems (e.g. Shonfeld, 1969; Galbraith, 1967), Hall and Soskice (2001b) identify key attributes which can be used to differentiate national systems: corporate governance and finance; labour market organisation; product market organisation; and social protection and competition. This provided a distinction between liberal market economies (LMEs) and co-ordinated market economies (CMEs) which has subsequently dominated many studies within comparative political economy (examples include Hall and Soskice, 2001a; Coates, 2005; Hancke, 2009a).

Hall and Soskice (2001b) make a particular distinction between European forms of capitalism, a 'co-ordinated' form of capitalism – heavily mediated by state action, the presence of the welfare state and more organised forms of labour control, and the US form of capitalism, the 'liberalised' form of capitalism – more deregulated and with less state intervention. The assumption here is that the US form of capitalism is nearer to neoclassical capitalism, and European capitalism is different, and as such led to a different pattern of economic growth. Although based on the analysis of the strategic behaviour of the firm, the authors apply this distinction to describe more general differences in production regimes at the national level. The dichotomous typology for different economic systems developed by Hall and Soskice (2001a) is based on contrasting the coordinated market economies (CMEs) - epitomized by Germany - with the liberal market economies (LMEs) - usually associated with the USA and the UK, due to their systems of production and the organisation of market institutions (Soskice, 1999; Hall and Soskice, 2001a).

This characterisation saw the USA as the 'ultimate example of capitalism, responding to the free play of market forces, with government standing back from direct interference, but instead using regulation to preserve conditions favoured by business owners' (Redding, 2005:141). This contrasts with the neo-corporatist political economy of Germany, commonly considered a co-ordinated, non-liberal form of capitalism (Albert, 1993; Coates, 2000; Streeck and Yamamura, 2001; Schmidt, 2002; Menz, 2005). The contrasts between CME's and LME's are summarised in Table 2.2. This distinction is similar to Albert’s (1993) earlier characterisation of Anglo-Saxon or American capitalism, Hutton's (1995)
The distinction between stakeholder and shareholder capitalism, or Amable’s (2000) typology of social systems of innovation and production, as suggested by authors of the French Regulation school (Amable, 2003; Boyer, 2005).

Table 2.2: Comparison of LMEs and CMEs using the varieties of capitalism approach

<table>
<thead>
<tr>
<th>Character</th>
<th>Liberal Market Economies</th>
<th>Co-ordinated Market Economies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate governance and finance</td>
<td>‘Arm’s length rule’; equity finance</td>
<td>‘Insider’ rules; bank finance; dependent on non-market relations</td>
</tr>
<tr>
<td>Labour market organisation</td>
<td>Decentralised; low union density; high labour mobility</td>
<td>Centralised; high union density; low labour mobility</td>
</tr>
<tr>
<td>Product market organisation</td>
<td>Arms length relations; strict competition enforcement</td>
<td>Inter-firm co-operation; relational contracting</td>
</tr>
<tr>
<td>Social protection</td>
<td>Few restrictions on hiring; investment in general skills</td>
<td>Restrictions on hiring; investment in firms specific skills</td>
</tr>
<tr>
<td>Competition</td>
<td>Competitive market forces</td>
<td>Competitiveness is embedded in strategic cooperation</td>
</tr>
</tbody>
</table>

Source: Based on Hall and Soskice (2001b).

The VoC approach (Hall and Soskice, 2001a) attempts to account for the different levels of economic performance in capitalist systems through the combination of specific institutions creating ‘institutional complementarities’, meaning that national economic institutions provide ‘comparative institutional advantage’ (Aoki, 2001; Amable, 2000; Freeman, 2000; Soskice, 1999). It is based on the idea that different national economic institutions (e.g. financial systems; industrial relations systems; education and training) offer firms a particular set of opportunities, and companies can be expected to ‘gravitate towards strategies that take advantage of these opportunities’ (Hall and Soskice, 2001b:15). Under this framework, institutional differences are the basis of comparative advantage, and therefore a means of preserving national difference (Hall and Soskice, 2001a). The efficiency of one institution impacts the efficiency of another, for example, ‘a fluid market in capital that fosters rapid organisational adjustment, and a fluid market in labour that is complementary to that process’ (Redding, 2005:150). This suggests that performance of a national system emerges as a product of particular sets of institutional complementarities, indicating a causal link which flows from institutional arrangements to comparative advantage. As Hancke (2009b:3) argues: the key argument of VoC is that ‘the presence of several “correctly calibrated” institutions that govern different markets determines the efficiency of the overall institutional framework’. Amable (1999) explains how the nature of some institutions can create structures which will give an economy a
comparative advantage, and how a different formation of the institutions will have implications for the construction and performance of a national economic system.

In the VoC approach the two types of national systems (liberal and co-ordinated) follow different paths of economic growth toward the goal of high growth if their institutional configurations are complementary. The authors apply the distinction between liberal and co-ordinated to the national economy to describe more general differences in production regimes, including the national institutional framework of incentives and constraints (Soskice, 1999). The VoC approach suggests that a firm is 'incapable of shaping the institutional setting in which it must operate' (Allen, 2004:89). Unlike neoclassical economics where preferences 'are exogenous to the institutional setting' (Allen, 2004:91), the VoC approach argues that institutions can shape preferences. However, the VoC approach fails to recognise that firms can be autonomous and that variations within firms across national systems can occur (Allen, 2004; Crouch and Farrell, 2004; Hancke et al., 2007; Martin, 2005). Therefore any consideration of national economic system and its particular institutions should be sensitive to the extent to which the activities of particular actors shape the institutional context.

### 2.2.2 National business systems

The VoC approach places great emphasis on the role and influence of the firm in national systems. A further approach, which places greater even emphasis on the firm, is termed 'business systems'. This approach, developed by Whitley (1999), provides a comparative framework that identifies the central differences between established systems of economic organisation and explains them in terms of specific characteristics of their institutional environment. Whitley has contributed extensively to the emerging paradigm of business systems which are defined as 'distinctive configurations of hierarchy-market relations which become institutionalised as relatively successful ways of organising economic activity in different institutional environments' (Whitley, 1992:12). Drawing on regulationist traditions (see Boyer, 2002), and earlier work on 'varieties of capitalism' (Boyer and Hollingsworth, 1997), Whitley (1996, 1999) provides a discussion of diversity in contemporary systems of economic organisation within and across national boundaries, paying careful attention to the role of the firm and the state. This approach aims to analyse to what extent these systems differ, the reasons for these differences, and how path-dependent they are (Whitley, 1999:33).

According to Whitley (1999:137) there are six business systems that characterise economic organisation. The first system, *fragmented*, is typically a display of low coordination and limited organisation integration. Small owner-controlled firms usually dominate this system, where employment relations are usually short term. An example of
this type is Hong Kong and its fast transition from making 'plastic flowers, to wigs, to toy manufacturing, to property development and financial services as market conditions altered' (Whitley, 1999:43). The second system, *coordinated industrial district*, is typified by domination of small firms but features greater integration and cooperation, as exemplified by post war Italy. Third, the *compartmentalised* system includes larger firms with little in the way of cooperation, as typically seen in Anglo-Saxon economies. Fourth, *state-organised* systems usually include large firms, where families maintain control over their firms often supported by the state. The state dominates economic development and guides firm behaviour, as demonstrated by post-war South Korea. Fifth, the *collaborative* business system, is comprised of collective organisation and cooperation within sectors, as seen in many continental European economies. Finally, *highly coordinated* business systems display 'more organisational coordination of economic activities through the economy' in the form of inter-sector networks, as seen in Japan (Whitley, 1999:44).

More importantly, Whitley (1999) suggests a number of key institutions which generate particular systems. These institutional features are compared across market economies in four arenas: the state, the financial system, skills development system, and the dominant conventions governing trust and authority relations. Collectively, these produce a particular institutional context, which in turn influences the form of economic organisation. Similar to the VoC literature and the concept of 'institutional complementarities' therein, Whitley (1999: 54) argues that 'interdependences between single institutional features and form of economic organisation are tendencies which, in practice, are modified by other aspects of dominant institutions and by a variety of historical contingencies'. The existence of divergent 'varieties of capitalism' is therefore connected to their institutional contexts. Institutional features associated with these different systems are summarised in Table 2.3.

The approach recognises that distinctive forms of economic organisation develop in varying institutional contexts. Therefore, features of the family, labour market institutions, the financial systems, and state structures will lead to different characteristics, according to the arrangements of these institutions. From Whitley's (1999) approach, there are four key contributions to the consideration of variety in national economic systems. First, the approach stresses the importance of the national scale as 'the organisation and action of owners, managerial elites, and other groups of manual and non-manual workers for instance, have been, and remain, highly nationally distinct and primarily focused on national arenas' (Whitley, 1996:45). Whitley argues that economic activity is fundamentally dependent on institutions at the national level, and that any other spatial scale cannot produce the same level of institutional cohesion, with the exception of the European Union. This supra-national unit attempts to provide coherence for member
countries and is designed to foster institutional cohesion across its members; in many spheres it has the legal authority to do so - for example, through introducing Directives which require implementation by member states. While focus on the national scale in the business systems approach bears similarity to VoC in the unit of study, the two approaches differ with respect to the relationships between firms and their respective institutional environments. The business systems approach assumes firms and their activity are dependent on the form of business system, and firms do not have sufficient power to deviate from this.

Table 2.3: Institutional features associated with different Business Systems

<table>
<thead>
<tr>
<th>Institutional features</th>
<th>Types of business systems</th>
<th>Fragmented</th>
<th>Coordinated</th>
<th>Compartmentalised</th>
<th>State Organised</th>
<th>Collaborative</th>
<th>Highly coordinated</th>
</tr>
</thead>
<tbody>
<tr>
<td>The state</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strength of state's coordinating and developmental role</td>
<td>Low</td>
<td>Considerable locally, limited nationally</td>
<td>Low</td>
<td>High</td>
<td>Considerable</td>
<td>High</td>
<td></td>
</tr>
<tr>
<td>Strength and incorporation of intermediaries</td>
<td>Low</td>
<td>Considerable locally</td>
<td>Low</td>
<td>Low</td>
<td>High</td>
<td>High</td>
<td></td>
</tr>
<tr>
<td>Strength of market regulation</td>
<td>Low</td>
<td>Considerable locally</td>
<td>Low</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td></td>
</tr>
<tr>
<td>Financial System</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital market and credit based</td>
<td>Low risk – sharing by banks</td>
<td>Some local bank risk-sharing</td>
<td>Capital market</td>
<td>Credit</td>
<td>Credit</td>
<td>Credit</td>
<td></td>
</tr>
<tr>
<td>Skill Development and Control</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strength of public training system</td>
<td>Low</td>
<td>High</td>
<td>Low</td>
<td>Limited</td>
<td>High</td>
<td>Limited</td>
<td></td>
</tr>
<tr>
<td>Union Strength</td>
<td>Low</td>
<td>High</td>
<td>Low to some</td>
<td>Low</td>
<td>High</td>
<td>Some</td>
<td></td>
</tr>
<tr>
<td>Dominant organising principle of unions</td>
<td>Varies</td>
<td>Skill/sector</td>
<td>Skill</td>
<td>Employer</td>
<td>Sector</td>
<td>Employer</td>
<td></td>
</tr>
<tr>
<td>Centralised bargaining</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>High</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>Trust and authority</td>
<td>Low</td>
<td>Some</td>
<td>High</td>
<td>Limited</td>
<td>High</td>
<td>Some</td>
<td></td>
</tr>
<tr>
<td>Trust in formal institutions</td>
<td>Low</td>
<td>Limited</td>
<td>Low</td>
<td>Low</td>
<td>High</td>
<td>Some</td>
<td></td>
</tr>
<tr>
<td>Paternalist authority</td>
<td>Low</td>
<td>Limited</td>
<td>Variable</td>
<td>Low</td>
<td>High</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>Contractarian authority</td>
<td>Low</td>
<td>Variable</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>Typical business environment</td>
<td>Low</td>
<td>Some</td>
<td>Locally collaborative</td>
<td>Arm's length</td>
<td>Dirigiste</td>
<td>Collaborative</td>
<td></td>
</tr>
</tbody>
</table>

Second, Whitley (1999) argues that economies may have more distinctive features than is accounted for in some characterisations. Contradictions, conflicts and interdependencies can occur between actors, and these can differ between countries. This hints at the importance of examining empirical cases rather than theoretical categories. Third, Whitley (1999) argued that comparative analysis of economic organisation should encompass different kinds of economic actors and the varied ways in which they cooperate and compete. Furthermore, the same actors will not necessarily act in the same way in different economies, leading to the argument that ‘comparative analysis of economic organisation has to show how variations in particular societal institutional agencies and structures helped to generate distinctive forms of economic coordination and control and continue to reproduce differences between them’ (1999:26).

Fourth, Whitley (1999) recognises that labour processes and industrial relations vary between countries. While attention has been paid by some academics to ways of
managing employment relations, and how this affects organisational capacities (Lazonick, 1991), the business systems approach highlights a series of institutions which could affect the nature of labour market interactions: national education and training systems; skills definition and control institutions; union structures and policies; and the legal framework governing labour relations. Whitley (1999) contends that, while in contrast to arguments that work systems are being replaced by a single standardised form of work organisation and control - flexible specialisation (Hirst and Zeitlin, 1997) - the ways in which work is organised and controlled in different countries varies considerably. While this approach attempted to address differences in work systems, and recognise the importance of institutions which affect the labour market, the focus was at the level of worker-employer interaction rather than the wider labour system. However, it is noted that the characteristics of work systems can be a reflection of the collective actors (and institutions), and how they are constituted in different national settings (Whitley, 1999; Rubery, 2010).

2.2.3 Systems of welfare capitalism

An alternative approach to consider national systems of economic organisation is provided by Esping-Andersen (1990). This approach, termed systems of welfare capitalism, identifies three ideal types of welfare regimes based on arrangements of the state, market and family. First, there are liberal welfare regimes, in countries such as the US and the UK, which are characterised by low de-commodification and the primacy of the market. In these countries the 'state encourages the market', either passively - by guaranteeing only a minimum - or actively - by subsidising welfare schemes (Esping-Andersen, 1990:26-27). Second, there are conservative welfare regimes, such as that found in Germany where there is little de-commodification and a strongly corporatist regime. In these countries the strong corporatist - statist legacy retains an influence on policy, and the family - not the state - is the mechanism of social reproduction. Finally, there are social democratic welfare regimes, found in Scandinavian countries for example, which display high commodification and strong universalism (Esping-Andersen, 1990:77), where there is 'an equality of the high standard, not an equality of minimal needs' (1990:27). In contrast to the VoC and business systems approaches, which provided firm centred perspectives, systems of welfare capitalism highlights the importance of state involvement in shaping the final form of the welfare state (Arts and Gelissen, 2002).

For Esping-Andersen (1990) it is the formation of the welfare state which determines national trajectories, because 'the stratified outcomes of particular arrangements shape class coalitions, which tend to reproduce the original institutional matrix and welfare outcomes' (Arts and Gelissen, 2002: 140). The typology includes a more social dimension, through incorporation of the welfare state, rather than simply economic
institutions related to the interests of firms. The difference between the ideal types is partly attributed to different historical forces which lead nations to ‘follow qualitatively different developmental trajectories’ (Arts and Gelissen, 2002:138). This places greater emphasis on the importance of historical backgrounds to the formation of national systems. Furthermore, Esping Andersen (1990: 46) recognises that the real world exhibits hybrid forms of welfare states, and that nations cluster ‘around three highly diverse regime types, each organised according to its own discrete logic or organisation, stratification, and social integration’.

Unlike the VoC and national business systems concepts, this welfare systems approach takes into consideration mainstream employment relationships, and how they affected wider systems of economic organisation. The welfare systems approach recognised both the welfare state and the labour market, and how the features of, or interactions between them, can influence the wider system. After all, the nature of state regulation on employment is often a result of the features of wider labour market regulation and welfare provision.

Unfortunately, in a similar vein to the previous approaches, a typology cannot sufficiently address the variation which occurs in reality. These ideal types are holistic, as they try to encompass the social and historical backgrounds of respective states. Quantitative analysis of welfare regimes has been carried out and reviewed by Arts and Gelissen (2002), revealing that ‘Esping-Andersen's original three-worlds typology neither passes the empirical tests with flying colours, nor dismally fails them...it seems that these typologies do have some descriptive value’ (Arts and Gelissen, 2002:153). Similar to the VoC approach, these categories remain relatively limited, and do not sufficiently account for the extant diversity of welfare regimes (or national systems), with a plethora of welfare systems (Deeg and Jackson, 2007). In summary, Esping-Andersen's welfare systems approach (1990) differs from VoC and business systems in placing emphasis on the welfare state, as opposed to firm co-ordination. It also incorporates more social aspects to the system, namely labour, and the effect this could have on economic trajectories.

2.2.4 Social systems of production

Hollingsworth and Boyer (1997) present a further approach, social systems of production, similar to business systems in that it provided a device to represent interrelationships that exist within a national system. Social systems of production were defined as 'the way that institutions and structures of a country or region are integrated into a social configuration' (Hollingsworth and Boyer, 1997:2). A characterisation is presented which contrasts the standardised models of production (typified by Fordist production) with flexible specialisation of production and diversified quality mass production. Importantly, it is
recognised that for these social systems of production to survive 'firms must be integrated into collective institutions which can balance co-operation and competition' (Boyer and Hollingsworth, 1997:26). Boyer and Hollingsworth (1997:28) argue that national differences exist due to social systems of production which are embedded 'in distinctive environments and not easily emulated by other societies; meaning that different national systems of production are likely to persist'.

For Boyer and Hollingsworth (1997), business systems represent just one element of the wider domain of the social system of production, made up of norms, rules, habits, conventions and values, which in turn influence the institutional arrangement. These will affect the interaction of the national business system with its institutional environment, made up of industrial relations, education and training, and the state. Unlike the previous approaches, Boyer and Hollingsworth integrate a range of spatial scales in their analysis, emphasising the multi-scalar nature of the economy. For example, they consider the national system of the UK, but also the regional example of Jutland in Denmark, and the supranational region of the European Union (Hollingsworth and Boyer, 1997).

Furthermore Hollingsworth and Boyer (1997) suggest that social systems of production can emerge at a regional scale with little influence from nation state configurations, or at the supranational level, because the nation state exercises little autonomy at this level. In addition, the social system of production approach attributes greater control to the nation state, emphasising its capabilities to influence the rules of the system. An important element of this approach relates to the emphasis on the historically path-dependent nature of each social system of production, suggesting that great variation will continue to exist between national systems, rather than convergence. A further key contribution of Hollingsworth and Boyer (1997) is the emphasis that any capitalist system consists of a complex configuration of economic, political, social and cultural organisations which are intricately linked. Therefore, in order to understand the role or function of any particular national system, one must comprehend the history, and interaction, of the constituent institutions which form the system.

2.2.5 National systems of innovation

An additional approach, termed national systems of innovation (NSI), provides further discussion of the importance of institutions in exploring national differences in economic organisation. This approach was developed from earlier ideas of List (1841) around the national system of political economy. The NSI approach attempts to explain the complicated arrangements of actors, behaviours and connections in different countries (Niosi, 2002). Innovation 'is a ubiquitous phenomenon in the modern economy. In practically all parts of the economy, and at all times, we expect to find on-going processes of learning, searching and exploring, which result in new products, new techniques, new
forms of organisation and new markets' (Lundvall, 2000:8). Importantly, innovation can be driven through the interaction of a range of economic actors.

The NSI approach advocates that it is varieties of institutions which shape change in industrialised nations. A NSI was defined by Nelson (1993:12) as 'a set of institutions whose interactions determine the innovative performance of national firms'. Variations in the NSI represent defining factors in the uneven development of national systems of economic organisation. Freeman (1995:14) placed stress on the variety of national institutions, which affect the relative rates of technical change, and hence economic growth. The OECD has deployed this approach to consider different national systems, including a complex arrangement of actors and relationships which collectively define the national system (see Figure 2.1). Once again, this system was defined at the national scale.

Figure 2.1: Actors and links in a national system of innovation

![Diagram of a national system of innovation](source: OECD (1999)).

Nelson (1993) conducted a comparative study of different NiSs across Japan, US and Europe, indicating that national difference, in terms of innovative capabilities, determined the overall economic production of a nation (Lundvall, 1992; Nelson, 1993). Globalisation advocates have questioned this; Ohmae (1990) suggests that transnational corporations (TNCs) and the development of the global economy were 'melting away' national borders,
and therefore the need to consider national economic systems was no longer paramount. Once again, the NSI approach advocates the primacy of institutions in understanding economic systems. The NSI approach, like VoC, recognises the importance of the institutional framework within any national system, as this greatly affects innovation structures and therefore capabilities for economic development (Nelson, 1993).

The NSI approach places great emphasis on the role of the state in co-ordinating processes of technological and economic progression. It also recognises the importance of individual firm capabilities and their networks within the wider institutional environment, as a means of differentiating different NSI. This reiterates the importance of investigating arrangements at the national level, as opposed to the regional or local level (Lundvall, 2002), on the premise that 'the factors of production most crucial for innovation are human capital, governmental regulations, public and semi-public institutions, and natural resources. For all these factors borders and location matter' (Niosi, 2002:292). In addition, the approach is similar to those discussed previously, as the labour market remains largely absent from consideration, other than with reference to education and training. Unlike the VoC or business systems approaches, there is a much stronger appreciation of the possibility for change; in fact, the system is based around change and the actors that facilitate it.

The NSI approach contributes several concepts that are important to the framework deployed in this thesis. First, firms play an important role in innovation, and consequently change, in the wider system of economic organisation. Second, firms innovate through interaction with other firms and the knowledge infrastructure. Third, the form of firm innovation is dependent on the wider system of education, labour markets, financial markets, product markets and welfare regimes. Crucially, to understand international differences it is important to acknowledge the wider setting of firms activities. Temporary staffing agencies, as firms in the national economic system, represent important actors in the temporary staffing industry. Lundvall (2004) describes the NSI as a 'motor' and posited that most parts of the socio-economic system could affect how this motor worked, and consequently how the economy operated as a whole. Furthermore, Lundvall explains how there is a need to understand how the innovation system remained 'embedded in a wider set of institutions that shape people and relationships between people. Education systems, welfare regimes, labour markets, and financial markets may be more or less supportive to the setting structure' (2004: 31).

2.2.6 Social systems of innovation and production

An additional approach incorporates aspects of both social systems of production and NSI. Developed by Amable (1999:1), the approach stresses that the 'institutional
dimension is crucial if one wants to account for the co-existence of different types of modern developed economies'. Similar to Hall and Soskice (2001a), Amable (1999) suggests that institutions are complementary, meaning that some institutions would function better, and in fact could reinforce each other, when specific other institutions were present. This approach, termed Social Systems of Innovation and Production (SSIP), suggested four ideal types: the market-based SSIP, where market-based logic presides over nearly all social and economic activities, such as the UK or US, with sophisticated financial markets and reliance on the public training of the labour force; the meso-corporatist SSIP, dominated by large firms linked through financial and technological networks where innovation is mostly governed by the search for products liable to satisfy the private demand, such as Japan; the European integration/public SSIP, where public institutions lie at the heart of innovation and economic progress, such as France; and finally the social-democratic SSIP, typified by Denmark (Amable, 1999), summarised in Table 2.4.

Table 2.4: Types of Capitalism

<table>
<thead>
<tr>
<th>Type</th>
<th>Country (examples)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liberal Market</td>
<td>Australia, Canada, UK, USA</td>
</tr>
<tr>
<td>Asian</td>
<td>Japan, Korea,</td>
</tr>
<tr>
<td>Continental European</td>
<td>Switzerland, Netherlands, Ireland, Belgium, Norway, Germany, France, Austria,</td>
</tr>
<tr>
<td>Social Democratic</td>
<td>Denmark, Finland, Sweden</td>
</tr>
<tr>
<td>Mediterranean</td>
<td>Greece, Italy, Portugal, Spain</td>
</tr>
</tbody>
</table>

*Criteria for categorisation:*
- Product markets: regulated, deregulated
- Labour markets: flexible, regulated
- Finance: stock markets, banks, property ownership
- Welfare: extent and type of welfare state
- Education: extent and public/private type

Source: Adapted from Amable (2003: 173-5).

While this approach was not as firm-centred as the VoC approach, it also recognised the importance of understanding the institutional structure of national economic systems, and the networks of actors (more than just firms) in creating these structures. Amable (2003) includes additional concepts to the VoC approach, including: product-market competition, wage labour, social protection, the welfare state, and crucially labour market institutions. These distinctions provided a further typology of countries, this time with the inclusion of labour market institutions.

All the cognate approaches discussed share the common feature that the national scale can be important as a unit of study. They argue that the world is not on a path of convergence, and that in contrast to the globalisation and convergence advocates (Ohmae, 2005), countries would continue to display distinct national differences. Their
concern was growth at the national level: the approaches discussed above all argue that differences in institutional arrangements have significant consequences for the ways in which firms organise and control work, establish networks, and develop growth strategies. However, relatively few comparative studies have focused on how they have led to the development of distinctive individual systems of economic organisation. While these approaches discussed the importance of understanding institutional arrangements, they all attempted to provide categorisations which do not necessarily capture the level of diversity existent in reality, particularly as economies change. The next section develops the discussion of the VoC approach, by examining a number of critiques in order to inform the framework used in this thesis.

2.3 Beyond varieties of capitalism?

The development of this set of approaches, grouped under the broad umbrella of 'varieties of capitalism', has resulted in lively debate over the most suitable characterisations of national economic systems (for example Hall and Soskice, 2001a; Amable, 2003; Morgan et al., 2005; Hancke et al., 2007). This takes place against a context of increasing competition between the institutional structures of national economies and the forces of globalisation (Ohmae, 1990). The 'varieties of capitalism' approaches argue for the resilience of national models through distinctive institutional ensembles, despite awareness of the forces of neoliberalisation and its potential to drive institutional change (Hall and Thelen, 2009; Yamamura and Streeck, 2003). However, the 'varieties of capitalism' framework is unable to conceptualise the temporary staffing industry (TSI) per se as it focuses on the wider economic system, whereas this thesis is concerned with the labour component, with particular emphasis on a specific form of labour market intermediary. In order to move towards this focus the critiques of the 'varieties of capitalism' approach are considered in order to attempt to incorporate adjustments to the framework used in this research. Four elements of critique will be explored here.

2.3.1 Recognising diversity and hybridity

The first critique relates to the narrow focus of characterisations produced. To merely catalogue the institutional features in national systems and attribute differences in economic dynamics to institutional difference fails to address those with features of more than one type, or 'hybrid' versions (Yeung, 2004). Furthermore, the VoC taxonomic difference between the US and Germany (Albert, 1993) attributes difference in economic dynamics to institutional differences, but fails to deal with connections between the different capitalisms. For example, Chinese and US capitalism are co-dependent, and it is argued that neither could exist in the present form without the other (see Yeung, 2004 for a discussion of Chinese capitalism). A related critique is concerned with the breadth of
categories used. Significant variation is likely to occur within all these ‘regime’ types, and this diversity is not captured by such categorisations. In addition, the analysis of VoC needs to move beyond the manufacturing and industrial sectors of economies, in order to reflect changes in societies where service sector employment plays a much larger role.

The ‘varieties of capitalism’ approach has been criticised for failing to account for diversity which exists in reality, as well as for change within systems (Culpepper, 2005). A striking example is that of Japan, which is often placed in the same category as some European countries, when in reality its system of economic organisation is profoundly different to that found in many countries in Europe. Typologies place countries at either end of a spectrum when in reality national systems are likely to display features of both. Becker (2009) argues it would be more fruitful to place them along a continuum, as many are hybrid in form (Yeung, 2004). Hall and Soskice (2001b) themselves acknowledge that not all countries fit the CME/LME characterisation, which has led to the additional development of Mediterranean (or mixed) Market Economies (MMES) (see Hancke et al. 2007). Further variations are likely to be uncovered in studies that venture beyond the industrialised nations, particular to the rapidly industrialising states of East Asia, Latin American or post-socialist states (see King and Szelényi, 2005, for consideration of post-communist economic systems). In addition, the ‘varieties of capitalism’ approach fails to account for some groups of countries which did not necessarily fit their characterisations, although some efforts were made to create additional categories for those exhibiting different features.

Furthermore, the VoC approach fails to adequately recognise and theorise the role of the state (Schmidt, 2002; Watson, 2003), treating nation-states as constant entities (Crouch and Farrell, 2004). In national systems, the state can have varying levels of influence depending on the level of regulation of markets and other institutional arrangements. Taking such a predominantly firm-centred approach, it assumes that national institutions are uniformly present across sectors and firms, and does not adequately account for state variety (Allen, 2004). Thelen (2001), among others who adopt the VoC approach, highlights that the market and other institutions have important roles in shaping the economic trajectories of different nations.

In a European context, the group largely missing from these discussions of ‘varieties of capitalism’ are the post-socialist countries (Lane and Myant, 2007). After the dissolution of state socialist societies in the early 1990s, it was predicted that former Communist countries would move from a centrally planned economy to one based on markets like other capitalist systems (Lane, 2007). Under the reform process, marketisation and privatisation via a neoliberal policy were followed through the creation of market-based
competition, privatisation of state property and management of short-term unemployment and poverty (Lipton and Sachs, 1992). The changes were designed by those in power to remove state socialism, and replace it with a market system based on private ownership, production and profit. For Central and Eastern Europe (CEE), some capitalist institutions taken for granted in Western Europe are still in the process of emerging (Bohle and Greskovitz, 2007b). Post-socialist transformations constitute a distinct political-economic context, with clear historical differences to those of Western and northern Europe. Post-socialist formations represent further 'varieties of capitalism', but few studies have applied the 'varieties of capitalism' approach to these systems (Lane, 2007; Bohle and Greskovits, 2007a). The 'varieties of capitalism' framework exists with clear gaps in the consideration of national difference, with very little attention on the emerging variety of post-communist capitalisms in Central and Eastern Europe (Bohle and Greskovits, 2007b, Lane, 2005). Therefore, by incorporating further countries with institutional arrangements previously not considered, the analysis can be extended.

2.3.2 Static typologies: variety and variegation

A second angle of critique suggests that the 'varieties of capitalism' approach does not capture the ability of economic systems to change (Morgan et al., 2005), and therefore finds it difficult to theorise transformations, which may explain the absence of the post-socialist countries. The characterisation is considered too rigid by placing countries in particular categories for the features they exhibit at the time, and incapable of accounting for change in capitalist systems. Since modern capitalisms are diverse and constantly changing, this is problematic. It fails to display an understanding of how globalisation would impact national 'varieties of capitalism', due its static views on firms and markets within economies (Hall and Thelen, 2009). Critics of the 'varieties of capitalism' approach have questioned the idea that increasing economic integration would result in institutional diversity and a convergence of regulatory regimes (Crouch and Farrell, 2004; Crouch, 2005; Hancke and Goyer, 2005; Streeck and Thelen, 2005; Jackson and Deeg, 2006). Hall and Soskice (2003) have responded to this criticism, acknowledging that change does occur in national systems, but that the institutional structures and the relationships between them are fixed (Hall, 2006; Hall and Thelen, 2009). In reality, capitalisms are subject to processes of continuous adjustment (Boyer, 2005; Höppner, 2005).

Becker (2009) provides an alternative classification of national systems, based on 'open systems' of capitalism where features of empirical cases could be linked to a particular type, or can be in between particular types. The central argument is that not only do existing theorisations fail to adequately account for the differences evident in economies, there is also an element of confusion in existing typologies and characterisations of capitalist systems. In particular, Becker (2009) criticises the 'varieties of capitalism'
approach for attempting to attribute empirical cases to characterisations. The 'varieties of capitalism' approach has presented typologies where empirical cases showing different features are mixed cases; in these cases typologies cannot account for change (as is seen in Perraton and Clift, 2004; Yeung, 2004; Goyer, 2006; Holz, 2006; Aoki et al., 2007; Campbell and Pedersen, 2007; Clift, 2007; Deeg and Jackson, 2007). In reality, it can be argued that empirical cases are inherently hybrids and completely pure cases do not exist (Becker, 2009).

Therefore, to adequately address the features of different capitalist systems it is necessary to 'distinguish ideal-typical varieties of capitalism from empirical political economies' or 'real varieties of capitalism' (Becker, 2009:9, see also Crouch, 2005 and Schmidt, 2002). This means that while categories are useful as a means of identifying different groups of economic systems, the reality of each individual system can only be uncovered through empirical research, and differences between groups of countries are likely to exist. To provide a more realistic account of capitalist systems, a typology of ideal-types has been created by Becker (2009), in which empirical cases are positioned according to their features of different types. Figure 2.2 displays a matrix of six ideal types. This highlights the importance of avoiding assumptions about different national systems, and how more research is needed on distinctive national forms of economic organisation. Ideal types are present and each national system can exhibit features of each, with its own position on the matrix accordingly.

**Figure 2.2: Location between different types of capitalism**

![Figure 2.2: Location between different types of capitalism](image)


Continuing with this concept of individual forms of national economic organisation Peck and Theodore (2007b) argue for a 'varieties of capitalism' approach that considers fundamentally geographical questions of difference, but highlights this is an area of discussion in which geographers have yet to fully engage (despite some exceptions, including Christopherson, 2002; Bathelt and Gertler, 2005; Clark and Wojcik, 2007). Peck
and Theodore (2007b) argue that the term variegated should be used rather than variety because of its taxonomic way of dealing with difference (see Table 2.5).

Under this framework, qualitative variegation should be considered, rather than quantitative variation, avoiding the 'labelling of variety according to institutional criteria, to probe the meaningful forms of variegation' (Peck and Theodore, 2007b:761). This term advocates 'a shift away from the varieties style reification and classification of economical-geographical difference', in favour of a 'more expansive concern with the combined and uneven development of "always embedded" capitalism, and polymorphic interdependence of its constitutive regimes' (Peck and Theodore, 2007b: 733). This provides an alternative approach to national systems, with a focus on individual institutional formations, rather than trying to assess a country's suitability for a particular category (as in VoC).

### Table 2.5: Varieties of capitalism vs variegated capitalism

<table>
<thead>
<tr>
<th>Varieties of Capitalism</th>
<th>Variegated Capitalism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Problematique</td>
<td>Explicating processes and forms of uneven development within, and beyond, late capitalism.</td>
</tr>
<tr>
<td>Case study rationale</td>
<td>Individual cases selected according to their theoretically generative properties.</td>
</tr>
<tr>
<td>Privileged agents</td>
<td>Agents generally afforded relatively weak analytical status, as bearers of prevailing modes of restructuring or nascent forms of resistance; agents embedded in constitutive network relations.</td>
</tr>
<tr>
<td>Analytical gaze</td>
<td>Emphasis on decisive moments of economic transformation and institutional restructuring' real time analysis of regulatory projects and experiments in the organisation of production; multiscalarity.</td>
</tr>
<tr>
<td>Temporal dynamics</td>
<td>Dynamic analysis, concern with endemic restructuring.</td>
</tr>
<tr>
<td>Scalar dynamics</td>
<td>Social construction and revitalization of scale; concern with multiscalarity.</td>
</tr>
<tr>
<td>Historical trajectory</td>
<td>Combined and uneven development.</td>
</tr>
<tr>
<td>Typical levels of abstraction</td>
<td>Meso-analytic interpretations of relatively concrete institutional conjectures with path-shaping and path-altering change.</td>
</tr>
<tr>
<td>Normative project</td>
<td>Revealing internal contradictions of neoliberal globalization identification and promotion of alternative (and/or progressive) forms of local development.</td>
</tr>
</tbody>
</table>


Furthermore, a related body of literature questions the use of capitalist systems and suggests 'variegated neoliberalism' may be more suitable, given the nature of many advanced Western economies (Brenner et al., 2010). Neoliberalism, however, operates across all varieties; this does not mean that a pure neoliberal capitalism would emerge, rather that it could produce a range of dynamics in differentiated institutional frameworks (Peck and Theodore, 2007b). Birch and Mykhenko (2009:356) consider the potential for neoliberal variegation across Europe, stating that 'neoliberalism is now commonly used to describe the epochal shift in political economy from welfare-based government to competitiveness-driven governance'. If considering the influence of neoliberalism of economic trajectories does not mean that a pure neoliberal capitalism emerges, it is
nevertheless important to trace these dynamics in a differentiated landscape – in which case it is perhaps relevant to consider not only variegated capitalisms, but also variegated neoliberalisms and the different ways these can be constituted (Cerny, 2008; Larner, 2003; Peck, 2001, 2004; Peck and Tickell, 2002). In either case, the national scale remains important.

A common feature of the suite of the ‘varieties of capitalism’ approaches reviewed in Section 2.1 is the focus on the national scale. While the ‘varieties of capitalism’ approach does not originate from geography, its assumptions discuss issues of a geographical nature, yet they are not its prime focus. However, the issue of national economic difference has been discussed by geographers earlier, such as Dicken (2007) and Gertler (1997), who justified study at the national scale against a background of growing support for the globalisation consensus. Economic geographers have, since the late 1980s, largely de-constructed national models, instead focusing on regional scale questions, using categories such as industrial districts as the site of exploration (Barnes and Gertler, 2001). The result is a better understanding of different existing capitalisms, such as the case of Silicon Valley, rather than that of the USA in general (Saxenian, 1991; Sturgeon, 2003), or the fact that more detail is known about institutions of regions of Italy than Italian capitalism (Amin and Robins, 1990; Sforzi, 2002). Economic geographers have somewhat moved away from the national scale and failed to continue the discussion of the issues of capitalism at the macro scale. Considering the different formulations of national systems is one way of re-engaging with this conversation.

These critiques highlight important aspects of studying national systems, including their ability to change and their unique nature. Therefore, to fully account for the individuality of national systems, attempts should not be made to categorise countries according to their institutional arrangements but to explore these arrangements in order to consider how the wider system is formed and could develop. Nevertheless, a point of agreement for approaches to study national variety, is the importance of institutions. To understand any current national political-economic system it is necessary to examine the existence of past and present institutions and how they fit together. A key component uniting these approaches is the importance of institutions - despite the fact that there are different notions of institutions used depending on the focus of their analysis.

2.3.3 Defining institutions

Sociologists have reiterated the importance of institutions in economic life (Granovetter, 1985; Granovetter and Swedberg, 1992), and political scientists have highlighted that national difference can be affected by institutional arrangements (March and Olsen, 1989). Engerman and Sokolokoff (2003:1) point out it is difficult to conceive of any
process of economic growth in which institutions do not matter: 'institutions matter, but our thinking of how they matter should recognise that they are profoundly influenced by the political and economic environment and that if any aspect of institutions is crucial for growth, it is that institutions change over time as circumstances change'. Defining institutions is not easy because 'they are amorphous and require a definition general enough to encompass all of them without being meaningless' (Schotter, 1981: 9). The definitions and descriptions of institutions that emerge from different sub-disciplines within the social sciences vary in scope and substance – making a definition of institution that is applicable across the social sciences difficult.

From the business systems approach Whitley (1992) distinguished between proximate and background institutions, with the former being inherently formal - including labour, capital markets and legal systems - and the latter seen as informal - including norms for authority and trust. It is important in examining any national system to consider which are the background/proximate institutions, and how they fit together to create an institutional structure. As detailed by Hollingsworth and Boyer (1997:30) 'regardless of spatial-territories location, whether at the sub-national region, the nation state or the transnational level, there is need for some institutional arrangement to coordinate relations among economic actors'. Amable (1999) provides an example of the importance of institutions using the German case, arguing that the 'German model' is not simply a result of institutional formation, but developed through historical circumstances, including: a concentrated banking system; labour force training system; strong labour unions; centralised wage setting and an independent Central Bank. Specific forms of complementarity for institutions produce a specific type of economic performance, such as a particular pattern of industrial specialisation, a particular type of innovation or certain characteristics of the labour force (Amable, 1999). Furthermore, the same institutions present in different countries can produce different outcomes, depending on the national institutional context, indicating that it is the complementary basis of institutions which contributes the biggest influence on national systems (Amable, 1999). This has been summarised by Amable (1999:9) who argued that 'the coherence of a given system, a "national" model for instance, is defined as the set of interrelated national institutions is then the expression of the complementarity between specific institutional arrangements and the outcome in terms of economic performance'. In this view institutions were not seen as primary drivers of economic performance, but as potential factors which could affect economic performance (Perraton, 2007). It is this 'institutional arrangement', and the relationships between economic actors related to the temporary staffing industry, that this thesis explores.
The importance of institutions in creating spatially different systems at national, regional and local scales has been further developed by economic geographers in response to the new institutional configurations which developed in the post-Fordist era of economic accumulation (Martin, 2002). Economic geographers have sought to explore how institutional configurations have shaped spatially differentiated economic systems and the roles of different sets of institutions, consequently providing inspiration for the research presented in this thesis. Institutions and their role in national systems of production are a key component of the approaches discussed here, and therefore it is important to outline what is meant by the term. Economics acknowledges that institutions play a role at all levels of the economy, from the structure and function of the firm, through to the operation of markets and the intervention of the state (Williamson, 1985; Hodgson, 1988, North, 1990). Following Martin (2002) the approach in this research draws inspiration from economists who distinguish between an 'institutional environment' and an 'institutional arrangement' (see North, 1990; Rutherford, 1994). The institutional environment refers to the 'systems of informal conventions, customs, norms and social routines (such as corporate behaviour, consumption culture, and socialised work practices), and the formal (usually legally enforced structures of rules and regulation, for example laws in relation to employment, corporate governance and welfare provision)' (Martin, 2002: 79). Institutional arrangements refers to particular organisational forms (such as markets, firms, labour unions, city councils, regulatory agencies, and the welfare state), 'which arise as a consequence of, and whose constitution and operation is governed by, the institutional environment' (Martin, 2002: 79). This distinction is fundamental to this thesis, which intends to explore the 'institutional arrangement' of temporary staffing industries using this definition, while carefully taking into account influences of the institutional environment where possible. Economic activity is embedded in a complex matrix of institutions – social, economic and political structures – and their associated rules.

Different specific institutional regimes will develop in different places, at different times, and in different ways. Much like regulation theory (Boyer, 1990), which refers to historically specific institutional regimes of coordination, this framework has been extended to consider a greater range of influences on the institutional arrangement (Gertler, 2004; Martin, 2002). These include approaches and agencies of the state, business institutions, labour organisations, but also spatially specific (national, regional and local) institutions. This takes into account the complex relations that occur between the national and local institutional arrangements, such as those related to the welfare state, or industrial relations systems, that are deemed key to the system but can take different forms at different spatial scales. 'The macro-institutional context is produced and reproduced by the interaction of individual and collective actors' (Berndt, 2000: 1570) – the institutional arrangements. Schmid (2004) argues that how institutions develop
changes and influences economic and social life, and as such stresses that enquiry should not be questioning if institutions matter, but what institutions exist, and how they influence their environment.

Following Schmid (2004) this thesis argues that in the case of the temporary staffing industry the question is not whether institutions matter, but what they are and how they matter. In order to understand the form and role of the temporary staffing industry in each national context, an understanding of the wider institutional environment is necessary. North (1990) explains this further, arguing that: 'institutions connect with the past and the present and the future so that history is a largely an incremental story of institutional evolution in which historical performance of economies can only be understood as part of a sequential story' (1990:118). However, institutions evolve, they are not static, and as such their arrangements over time will change, and are 'important carriers of history' (David, 1994). Therefore, any consideration of institutional arrangements must in turn consider how these institutions arose and their historical context.

### 2.3.4 Labour market systems

A particular criticism of the ‘varieties of capitalism’ set of approaches relevant for this thesis is the uneven treatment of labour, labour markets and related institutions. Labour markets are one component of any political economic system, and are subject to their own institutional arrangements, and as such should receive greater attention in considerations of national economic systems. Labour markets can be conceptualised as realms in which individual and collective actors interact, giving rise to specific power geometries (Massey, 1993) and to configurations of interrelated institutions (see Boyer, 1993). Labour markets are a vital component of any economy, as is the labour which takes part within them. Labour is more than just a commodity. The use of labour and its involvement in the economy varies across the globe, influenced by the spatial organisation of production as well as the complex interrelationships between employment, social relations, class and institutional structures (Martin, 2000).

The organisation of work systems is complex, they are systemic phenomena which will vary between institutional contexts (Boyer, 1991; Kristensen, 1997; Lane, 1989), as Fine (1998:5) highlighted ‘there is no single labour market, although labour markets are intimately connected to one another’. The academic work which focuses on labour markets is wide ranging not only in the disciplines from which its origins lie, but in the aspects of the labour markets which are addressed. Neo-classical economists tend to focus their efforts towards the assessment of the labour market as a perfect equilibrium of supply and demand with labour simply as a commodity within this system (Sapsford and Tzannatos, 1993). Whereas there are those who recognise that labour markets are
different from one another, in their outcomes, the wages, working conditions as well as the way they are structured, maintained and developed (Castree et al, 2004; Fine, 1998; Hanson and Pratt, 1992; Martin and Morrison, 2003; Peck, 1996). This section discusses theoretical contributions to the understanding of labour markets in the national economic system, introducing labour market intermediaries as a specific labour market institution. Similar to considerations of ‘varieties of capitalism’, at the heart of the work of many labour market theorists is the question of what distinguishes labour markets from other markets?

Neoclassical economists would classify labour as just another asset, commodity or factor to the system. Other scholars however, argue that labour should not be treated simply as a commodity but is embodied in the people involved in labour markets (Castree et al, 2004). Neoclassical economists make assumptions about the mechanisms in the market and market efficiency and also neglect how economic activity and labour market processes are socially embedded as well as how non-market social relations affect economic interactions (Granovetter, 1985; Powell, 1990; Peck, 1996; Storper and Walker, 1989). However, economists have long realised that labour markets deviate substantially from the neoclassical models. Labour markets cannot be likened with other markets ‘because of the various uniquely human attributes of those engaging on both sides of the market’ (Fine, 1998:11). Labour is a social process and therefore labour markets are complex, socio-political structures but is also a set of social mechanisms through which labour is bought and sold (Block, 1990; Johnson, 2000:169)

Macro-economic approaches to the labour market are discussed by Sapsford and Tzannatos(1990;1993), Lawlor (1993) and Manning (1995). Three approaches from mainstream macro-economics become clear. The first approach posits that explanations that seek to explain fluctuations in the economy and employment are based on the assumption that markets work perfectly (Doeringer and Piore, 1971). The second approach places emphasis on market imperfections and how they affect labour and employment (Hairault and Kempf, 2002) and the final approach is more concerned with the distributional conflict between conflict and wages (Blanchard and Oswald, 1994). Clearly these are not exhaustive of the ways in which the labour markets should be approached, therefore the understanding of the labour market from these perspectives alone are inadequate. Human capital theory in particular, stresses this and seeks to explain why specific labour markets are different despite conditions which suggest the labour market should operate consistently (Sweetland, 1996).

Martin (2000:458) provides a useful summary of the general development of theories surrounding labour markets from typical ‘Fordist’ labour markets to emerging ‘post-Fordist’ labour markets (a reduced version has been produced in Table 2.6). This summarises the
significant transformation which labour markets are generally thought to have undergone due to wider changes in the economic, social and political spheres (Boyer, 1990; Harvey, 1989; Knudsen, 1996).

Table 2.6: Fordist and Post-Fordist Labour Markets

<table>
<thead>
<tr>
<th>Labour Process</th>
<th>Fordist Labour Market</th>
<th>Post-Fordist Labour Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment</td>
<td>Mass production</td>
<td>Flexible specialised production</td>
</tr>
<tr>
<td></td>
<td>Large proportion in manufacturing</td>
<td>Small proportion in manufacturing, predominantly services</td>
</tr>
<tr>
<td></td>
<td>High degree of job security</td>
<td>Increased job security</td>
</tr>
<tr>
<td></td>
<td>Low levels of unemployment</td>
<td>Most jobs part-time and temporary</td>
</tr>
<tr>
<td></td>
<td>Most jobs full time</td>
<td>High levels of unemployment</td>
</tr>
<tr>
<td></td>
<td>Most set by collective bargaining</td>
<td>De-collectivisation</td>
</tr>
<tr>
<td></td>
<td>Systems of wage differential</td>
<td>Increased polarisation between full time and part-time/temporary workers</td>
</tr>
<tr>
<td>Wages</td>
<td>Formalised</td>
<td>More individualistic</td>
</tr>
<tr>
<td></td>
<td>Labour organised into strong unions</td>
<td>Decline in unions</td>
</tr>
<tr>
<td></td>
<td>Collective strike action</td>
<td>Collective labour action</td>
</tr>
<tr>
<td>Labour Relations</td>
<td>Macroeconomic demand management to maintain full employment</td>
<td>Abandonment of full employment of policies</td>
</tr>
<tr>
<td>Labour Market Regulation</td>
<td></td>
<td>Welfare to workforce and training-fare</td>
</tr>
<tr>
<td>Spatial Features</td>
<td>Relatively self-contained local labour markets</td>
<td>Continued important of local labour markets but segmented features between them</td>
</tr>
</tbody>
</table>

Source: Based on Martin (2000:459)

As Harvey (1990:159) highlights 'what is most interesting about the current situation is the way in which capitalism is becoming ever more tightly organized through dispersal, geographical mobility, and flexible responses in labour markets, labour processes, and consumer markets, all accompanied by hefty doses of institutional, product, and technological innovation'. Key elements of this move towards post-Fordist systems as highlighted in Table 2.6 are important for the TSI as many of these elements are more conducive to the expansion of temporary staffing and other forms of flexible employment.

Many scholars argue that labour markets can have specific spatial settings (Martin, 1986; Peck, 1989, 1992, 1996; Clark, 1989; Hanson and Pratt, 1992; Allen and Henry, 1997, Herod, 2001). Martin and Morrison (2003), in their assessment of labour markets and processes, identify four theoretical approaches to the nature and functioning of labour markets according to particular institutional features (summarised in Figure 2.3), identifying the 'multiple geographies of labour which arise from the simultaneous presence of different categories of labour and of various scales at which employment relationships can be understood' (Martin and Morrison, 2003:12).
First, the competitive market perspective follows the orthodox economic view, focusing on supply and demand, with its origins in the ideas developed by neoclassical economists. Labour is classified as just another asset, commodity, or factor in the system (see Storper and Walker, 1983). Neoclassical economists make assumptions about the mechanisms in the market and market efficiency (for example, that general equilibrium is the result of the operation of a competitive market), but neglect how economic activity and labour market processes are socially embedded, as well as how non-market social relations affect economic interactions (Granovetter, 1985; Powell, 1990; Peck, 1996; Storper and Walker, 1989). Traditional supply and demand ideas suggest that labour markets will fluctuate due to variable demand for production from employers, and therefore the demand for labour is like that in any other type of market.

However, labour is unlike other commodities in markets, it is according to Castree et al. (2004:29) a 'pseudo-commodity' as it 'differs fundamentally from real commodities because it is embodied in living, conscious human beings' (Storper and Walker, 1989:55). In reality, labour markets cannot be likened to other markets 'because of the various uniquely human attributes of those engaging on both sides of the market' (Fine, 1998:11), and the social relationship between employers and workers (Castree et al., 2004). Labour is a social process, which means that labour markets are complex, socio-political structures, besides being a set of social mechanisms through which labour is bought and sold (Block, 1990). Traditional supply and demand ideas, even sophisticated ones, are therefore inadequate, as non-market relationships are not taken into account. The market
and the non-market interact and mutually condition one another, and ‘neither one can be legitimately taken as exogenous in order to examine the other’ (Fine, 1998:72).

Second, the imperfect market perspective (Morrison, 1990) sees the labour market as segmented, i.e. made up of stratified sub-markets of particular types of jobs, and influenced by the special nature of labour, employment relations and social-spatial differentiation (collectively known as labour market segmentation). Foundations of this argument lie in the theoretical work on labour market segmentation and the structuring of labour markets (Gordon et al., 1982; Doeringer and Piore, 1985; Loveridge and Mok, 1979). Segmentation theory suggests that the labour market is divided into sub-markets, that the rules governing actors are different from one segment to another, and that ‘each segment functions according to different rules’ (Michon, 1987:25, see also Doeringer and Piore, 1971; Edwards et al., 1975). Piore and Sabel (1984) examined the growth of labour market segmentation theory, highlighting that it developed from an earlier approach which considered dual labour markets, making the assumption that labour markets do not work in the way neoclassical economists would describe them. In labour market segmentation theory the primary labour market usually consists of the skilled jobs, which is itself split into two further sub-markets: independent primary (usually associated with jobs that command a high level of autonomy) and subordinate primary (Doeringer and Piore, 1971). These are complemented by the secondary labour market where jobs are usually characterised as low skilled and with little opportunities for advancement. The literature on segmented labour markets addresses the divisions across labour markets while introducing analytically distinct groups to the analysis where mobility between areas was restricted (Doeringer and Piore, 1971; Edward et al. 1975). Fine (1987) suggests that segmentation of the labour market is the consequence of underlying socio-economic processes, forces that reproduce specific and historically contingent labour market structures. Loveridge and Mok (1979) developed a four-fold classification considering influences from market and the firm (see Figure 2.4).

Figure 2.4: Organisational and firm specific labour markets

Source: Loveridge and Mok (1979).
The primary internal segment is associated with stable employment, generally with firm-specific skills, whereas the primary external segment would be associated with professional and skilled work, requiring occupation-specific skills (Martin and Morrison, 2003). The secondary external segment in turn is characterised by low skilled jobs, with little autonomy and poor working conditions, and is usually associated with temporary and seasonal work (Scott and Marshall, 2009:1226). These segments are considered clear cut, with little mobility between them. However, segmentation theory has been accused of being 'aspatial, implying the same processes operate at all places simultaneous' (Hiebert, 1994: 9). Nevertheless, it is possible to draw an important point from this body of literature – that labour markets are not self regulating commodity markets, and that labour markets must be understood as an 'institutionalised and politicized arena which is systematically structured by the social relations of production and reproduction and the immanent institutional forces' (Peck, 1996: 262).

A key point throughout this chapter has been the importance of institutions, as highlighted in Section 2.2, despite the difficulties in defining them, as discussed in Section 2.3.3. The institutionalist perspective provides a third viewpoint, whereby labour markets are considered a set of social institutions, embedded in networks and systems of formal and informal conventions, and therefore are seen as much more heterogeneous entities (Martin and Morrison, 2003). These ideas stem from the influential work produced by economic sociologists such as Block (1990) and Granovetter (1985), the latter of whom considered the concept of embeddedness. It is argued that economic actions are embedded in social networks and do not, in fact, exist in the abstract idealised market terms suggested by Polanyi (1944). It also recognises that the labour market is influenced by non-market factors and processes, including the action of trade unions and political and work-place relations, which are not taken into account in neoclassical treatments of labour markets (Hanson and Pratt, 1992). This institutional perspective recognises that there is more to the labour market than simply buying and selling in the market place.

Peck (1996:5) argues that 'labor markets are systematically structured by institutional forces and power relations'. In addition, Doeringer and Piore (1985), in their comparative research, revealed important differences in institutional practices which were nation specific. Peck (1996:5) continues by suggesting that existing work, particularly from political economy, has recognised that labour markets are 'socially structured and institutionally mediated', and that the spatial unevenness has yet to be appreciated. Under this view, variability between nations 'cannot be boiled down to a set of crude characterisations about different national systems of labor regulation, but in fact is much more complex and finely textured. The geographic distinctiveness of labor markets stems
from variability in the social and institutional fabric that sustains and regulates capitalist employment relations' (1996:11). Although Peck's (1996) analysis was designed to develop a theoretical framework to analyse local labour markets, the same principles can be applied to the national labour markets.

While this idea about the institutional foundations of labour markets is important, it is necessary to question which institutions are important. Peck (1996) stresses that the labour market itself is an institution, which is governed by a complex set of rules, evolving in a continuous and reciprocal way alongside other social institutions. Thus, labour markets bear the imprints of (and reciprocally condition) the institutional structures and dynamics of, for example, the education and training system, the welfare and social insurance systems, and the industrial relations systems. In this sense, the labour market 'does not have a single institutional dynamic, but is a composite of several institutional dynamics' (Peck, 1996:77). These analyses have reiterated the importance of institutional arrangements, but giving a more specific focus on labour markets.

Finally, the fourth perspective sees the labour market as a site of socio-political regulation (Peck, 1996; Martin, 2000; Boyer, 1990). This perspective is based on the premise that links between social relationships and institutions such as industrial relations systems and welfare structures influence the processes of capital accumulation, and therefore the form of economic system (and market) (Martin and Morrison, 2003). For Boyer in particular, this approach lends itself to specific types of regime in competition with each other, due to different arrangements of institutional forms. In fact, Marsden (1986:231) stresses that labour markets are 'institutional phenomena'; as they depend on an institutional underpinning. Haughton and Peck (1996:319) take this perspective, stressing that 'the analysis of labour markets is inseparable from a consideration of the institutional forms, patterns of governance and processes of social regulation that together constitute its institutional underpinning'. They concur with Boyer (1993:11-12) that 'economic adjustments cannot be disentangled from social relationships and values, political and economic rules of the game, and more generally the web of interrelated institutions'. Furthermore, these institutional geographies could exert a powerful influence on regional, and potentially national, economies (Krätke, 1999).

According to Peck (1996:106) 'labour markets are socially regulated in geographically distinctive ways', meaning labour regulation has a significant territorial component (Clark and Gertler 1983; Moulaert 1987; Storper and Walker, 1989; Streeck, 1992; Martin et al., 1994). Peck (1996:xv) sought to 'construct a conception of the labour market which is sensitive to the variability of labour market experiences', and argues for an approach to labour market analysis which is 'sensitive to both their institutional embeddedness and
geographic differentiation. Labor markets, he argues, work in different ways in different places. Furthermore Peck (1996: 11) classifies countries according to the social regulation of labour markets, and argues that labour markets are socially regulated through a range of influences from ‘formal labour law to socially embedded work norms, from employer discrimination to union action’. He argues that it is the social and institutional processes which shape the operation of different labour markets. This social regulation encompasses ‘the disciplining affects of market regulation, purposive regulatory action on the part of the state, and the diverse effects of social in situations, practices and conventions…The result is a complex and dialectical interplay between labour market structures and dynamics on the one hand the regulatory institutions and process on the other’ (Peck, 1996:17).

Labour geographers have sought to identify how workers are active agents in producing economic spaces at different scales (Herod, 2001), although the 'agency' of other actors, particularly in the case of the temporary staffing industry, has received less attention. As Peck (1996) argues, at any spatial scale the labour market can be viewed as a regulatory space. Contrary to neoclassical economic theory, labour markets are not efficient, self-regulating systems; labour market regulation and governance are complex processes which can intersect across scales (Haughton and Peck, 1996), and empirical studies have shown how governance at different scales can have markedly different outcomes (Dunford, 1996; Digiovanna, 1996; Jonas, 1996).

There has been an increase in interest in labour market regulation and governance as there have been significant shifts and changes in regulatory practices, social conventions and institutional norms in the developed capitalist countries (Haughton and Peck, 1996:319). The turbulent regulatory environment has been attributed to the successive changes from the ‘Fordist-Keynesian’ to neoliberal paradigm. This has led to what some view as a time of ‘profound regulatory experimentation and institutional churning’ (Haughton and Peck, 1996:320) which are creating a diversity of regulatory forms and outcomes. Some common features emerge from a range of empirical studies on national labour market governance environments. Firstly, how labour market institutions are often under pressure to be broken down which is exemplified by Martin, Sunley and Wills (1996) who examine state efforts in the UK to weaken trade union movements. Secondly, that to enhance flexibility, and responsiveness to the local labour market, there are attempts to decentralise labour market governance structures (Rutherford, 1996). Thirdly, evidence has indicated a privileging of private sector interests in regulatory actions which has been labelled as ‘corporatist’ labour market governance (Rutherford, 1996).
A key argument posits that the 'labour market has an inherently local or spatially constituted level of operation and regulation' and that the processes which occur in these markets are 'geographically constituted' (Martin and Morrison, 2003:1). Peck (1996) argues that to understand how labour markets function their geographic specificity cannot be omitted.

These four perspectives summarise the different approaches which have been taken towards what constitutes a labour market, their functions, and processes of change. Through addressing this literature it becomes clear that labour markets are inherently complex phenomena, which do not adequately fit any particular perspective. Nevertheless, the latter two perspectives provide the greatest influence on the framework of this research, which is designed to uncover institutional arrangements in the TSI, which has been largely affected by regulation. Fine (1998:11) stressed the need 'to address the relationship between economic processes, structure and agents, and the dependence of the labour market on different structured and functioning labour markets'; there is a need to consider the relationships between institutions that constitute a labour market. Therefore, addressing the key institutional actors in the temporary staffing industry is designed to uncover the relationships which form the industry, and in turn affects its role in the wider labour market.

It has also been possible to identify a number of labour market institutions which are key to defining the national system. These are largely grouped into employment protection and regulation, collective bargaining, provision of welfare, education and training. From a business systems perspective, Whitley (1999) considers the important institutions related to labour markets concern the development and control of skills, the ways in which the state regulated workplace relations during later industrialisation, and the nature of the financial system, as well as prevalent trust and authority relations. Therefore, there is agreement that key institutions in labour markets can include: employment protection – regulation; industrial relations and collective bargaining; welfare – minimum wage and unemployment benefits; and training and skills. By focusing research on national labour markets through the interaction of different institutions, research should uncover institutional arrangements and relationships which define the wider labour market characteristics.

Geographers have continuously stressed the importance of labour in the economy. For example, Peck (1989) and Herod (2001) confront earlier theories of labour and attempt to develop more holistic 'geographies of the labour market'. However, Herod (2001) criticises economic geographers who had previously focused on the socio-spatialities of firm location but failed to investigate other important actors in the labour market. Furthermore,
Herod (1998) also criticises the portrayal of labour as subject to the forces of international capitalism. Emphasis was placed on the importance of the workers who are 'active geographical agents making space as part of their own very real political and economic goals' (Herod, 1997, 18-19). A key aspect of this thesis is to display how there are a range of important actors in the labour market, and that the importance of these actors remains spatially differentiated, moving beyond the firm and taking into account other institutions including: trade unions which represent the workers, trade associations which represents temporary staffing agencies, the temporary staffing agencies themselves, and state generated institutions.

2.3.5 Flexibility and labour market intermediaries

The perspectives outlined in this chapter highlight the important of institutions in the labour market, and the importance of the labour market in the wider economic system. However, little attention is paid towards the role or importance of public and private labour market intermediaries (such as the TSI), which have gained a significant presence in many labour markets as a response to an increasing demand for flexibility (ILO, 2007). In line with capitalist diversity arguments, large differences can be found between western countries concerning the way labour market flexibility has been shaped to include the prevailing types of employment, working time patterns, and labour market regulation (Esping-Andersen and Regini, 2000; EC, 2001; Keune, 2003). 'While in all countries flexibility is constituted in a complex and multidimensional way, each has its own particular characteristic features' (Keune, 2003:796). For example, in the USA flexibility is largely achieved through minimal dismissal protection and decentralised wage bargaining, whilst in Germany labour market flexibility originates in flexible forms of work organisation.

Despite a vibrant research programme on the issue of flexibility in the labour market, it is argued that flexibility is simply used as ‘a terminological device for arranging a chaotic array of empirical material and as a means to replicate theoretical debates over how the economy works without adding any new content’ (Fine, 1998:77). However flexibility can take various forms with a range of consequences ensuing from them. While flexibility hints at greater freedom, particularly for firms to use more non-standard forms of employment and be able to adapt to market demand more easily this is often at the cost of job security (Sayer and Walker, 1992; Pollert, 1988,). This second approach has been criticised as the world of flexible specialisation is profoundly romantic, with limited empirical foundations and a dependence upon an economic theory that simply reverses the traditional and crude ranking of secure work in large-scale industry as against insecure employment in the small-scale sector. A general criticism of studies on the importance of flexibility in the labour market is that often descriptive empirical accounts of flexibility have limited analytical depth, and conversely those who draw from institutional
theory tend to provide grand theoretical schemes concerned with globalisation and modes of regulation where they see flexibility as part of a new phase of capitalism. The call for flexibility has been linked to the increasing emphasis placed on ‘risk’ in economies and in labour markets. Beck (1999) addresses this notion of a ‘risk society’ relating flexibility to increasing instabilities inherent in modern economies. Fine (1998) argues that the drive ‘towards flexible capitalism and flexible labour markets may only be an interim phase in the search for a new economic and regulatory fix’ (Martin, 2000: 458). Essentially the drive for flexibility in the workplace has been driven by the transition to ‘flexible specialisation’ from traditional Fordist ‘mass’ production systems. The notion of flexibility has been used to capture this change in management of production and operation of services. Flexibility has been linked to the general deregulation of labour markets.

According to Rubery and Grimshaw (2003), flexibility can be defined as the ability to adapt and respond to change. Several dimensions to flexibility can be identified. Functional flexibility gives firms the ability to organise internal resources to undertake a range of tasks. Numerical flexibility refers to the ability of firms to alter the number of employees which it hires. This form of flexibility is often associated with temporary agency workers, free lancers, self-employed workers, or the use of outsourcing or subcontracting work. Financial (or wage) flexibility where employee reward is linked to individual performance, and as such promotes particular objectives. Temporal flexibility, where firms can alter the amount of hours worked, or when hours are worked by existing staff. This form of flexibility is usually deployed in the form of part-time working, flexitime work, shift work or overtime work. Finally, spatial (or locational) flexibility refers to the possibility of employment in a number of locations, for example home working, hot-desking, desk sharing and teleworking, designed to reduced overhead costs with facilities for the employer. As potential instruments of flexibility, labour market intermediaries (LMIs) represent further institutions in the labour market.

LMIs are not a new phenomenon, as a significant number of public and private sector intermediaries have existed since the mid-twentieth century (Osterman, 1999; Benner, 2001, Benner et al., 2003) - ranging from the public sector labour exchanges established in 1909 in the UK, to the modern day private sector temporary staffing agencies. Despite this, there has been relatively little research addressing the role of intermediation within labour markets, until the last decade when a new body of literature emerged. LMIs are defined as ‘entities or institutions that interpose themselves between workers and firms to facilitate, inform, or regulate how workers are matched to firms, how work is accomplished, and how conflicts are resolved’ (Autor, 2008:1), or more simply as ‘third party organisations that in some form or another involve themselves in the
employer/worker relationship’ (Benner, 2001:1). The existing literature on labour market intermediaries has attempted to identify and classify different forms of labour market intermediation. Autor (2009) classified labour market intermediaries according to the market failure they addressed and the nature of participation of those involved: these include traditional job boards, specialised jobs board, criminal record providers, public employment services, centralised medical job search, labour unions and temporary help agencies. According to Autor’s (2009) typology, temporary staffing agencies are unique in that they addressed the market failure of information provision (i.e. about the locations of suitable workers, matching demand and supply) but also that, in theory, participation was voluntary for both clients firms and temporary agency workers (see Table 2.7). In this typology these were the same characteristics of traditional job boards, but significantly different from public employment offices, which were seen more as a compulsory location for firms to advertise posts, while the participation of workers with this form of intermediary was still voluntary.

Table 2.7: Labour market intermediaries, by market function and type of participation

<table>
<thead>
<tr>
<th></th>
<th>Information provision/search</th>
<th>Market Failure</th>
<th>Coordination and collective action</th>
<th>Nature of Participation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Worker-side adverse selection</td>
<td>Firm-side adverse selection</td>
<td></td>
<td>Voluntary for workers and firms</td>
</tr>
<tr>
<td>Traditional jobs board</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specialised job boards</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Criminal record providers</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public employment offices</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Centralised medical job match</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labour unions</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Temporary help agencies</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Autor (2009:3).

Heterogeneous in structure, LMIs serve a common set of roles in the labour market, primarily the reduction of information search costs (Autor, 2008:2), and to find workers employment. However, Benner (2003: 627) argues that ‘as labour markets have grown more volatile and unpredictable, labour market intermediaries have arisen as an efficient alternative to internal labour markets, while still also being more efficient than decentralized open market transactions’. Benner (2003) identified that LMIs play a fundamental role in the labour market, creating, strengthening and shaping networks for
firms and employers. Furthermore, these intermediaries can be seen as a ‘bridge’ across social boundaries (Pastor and Adams, 1996; Harrison and Weiss, 1998).

The presence of LMIs is thought to have contributed to the increasing use of temporary workers (including temporary agency workers), and consequently a disruption of the traditional permanent employment model (Smith, 1997; Osterman, 1999). A further typology of LMIs was suggested by Benner (2003), based on the organisation, structure and origin of the LMI's, placing them into three broad categories: private sector, membership based, and public sector – each with further sub-categories. Figure 2.5 displays the typology based on LMIs present in Silicon Valley at the beginning of the 21st century (Benner, 2003). Under the broad designation of LMIs, the first category – private sector intermediaries – was the most prominent, even though some attempts were made to try and compete with private sector LMIs by providing high quality, efficient public employment services (Autor, 2008). Consultant brokerage firms in many ways were similar to temporary staffing agencies, but tended to specialise in skilled positions and frequently recruited for permanent positions (see Beaverstock et al., 1999). Web-based job sites, including national sites such as Monster.com and more specialised ones, such as dice.com (Data processing Independent Consultants Exchange), experienced a substantial increase in the early 2000s, corresponding to increased Internet use. Again, professional employer organisations displayed similarities to temporary staffing agencies, except they primarily recruited for permanent positions. For membership-based LMIs – such as professional associations, guilds and unions – the general aim was to improve the conditions for workers in the labour market on a collective basis (Benner et al., 2003).

Figure 2.5: A typology of labour market intermediaries

![Typology of Labour Market Intermediaries](image)

Source: Based on the typology provided by Benner (2003:623-4).
Some of these organisations were rooted in particular occupations and generally quite sector-specific. For example, trade unions compared to temporary staffing agencies, which spanned multiple sectors. The third category – public sector LMIs – refers to the operation of public employment services, and is often responsible for training programmes through workforce development systems (an example in the UK would be the welfare-to-work schemes), or through education-based institutions which engaged workers in job training or placements for a variety of professions (Benner, 2003). Benner (2003) suggests that all three categories of intermediaries were widespread throughout the Silicon Valley, a small region in the United States. Other attempts to provide typologies of LMIs (Carre and Joshi, 1997; Kazis, 1998) were neither as extensive nor did they account for national variation (although see James and Vira, 2012, for a discussion of call centre labour market intermediaries in India).

Given that the size and form of labour markets varies between national contexts, it is reasonable to assume that the presence of labour market intermediaries may also vary. No other comparative studies of this kind have been conducted, and therefore it is difficult to assess the existence of labour market intermediaries in other labour markets. As labour market intermediaries have expanded their presence in different markets, so their role has become more complex (Benner et al., 2007). Simultaneously, employers are becoming less important in shaping labour demand as 'labour market intermediaries are in the business of labour market adjustment' (Benner, 2003:692). This shaping of the labour market by LMIs is a function of the wide range of roles they can play, and the close ties with firms and employees they establish, cementing their position as fundamental actors in the process of labour market adjustment (Benner, 2003).

A range of public and private sector labour market intermediaries exist in labour markets, and as Benner et al. (2003) and Autor (2001) have shown, these exist in a variety of forms. Temporary staffing agencies – as a specific form of labour market intermediary (LMI) – act as key facilitators of increased flexibility in labour markets (Peck and Theodore, 2002; Benner et al., 2003), functioning as efficient vehicles for matching workers to employment (Hevenstone, 2009) – although their institutional interactions are largely under-explored. Despite some research exploring forms of labour market intermediaries, there is a weak conceptual foundation for understanding these economic actors in the labour market, and a limited understanding of the forces shaping them in their national contexts.
2.4 Conceptualising temporary staffing

The temporary staffing industry (TSI), and in particular temporary staffing agencies (as one specific form of labour market intermediary) form the focus of the next section. This charts the development of the TSI, both in terms of dimensions of global growth, and attention from academic scholarship. A small but growing body of literature has addressed growth in temporary staffing, the components of the temporary staffing relationship and conceptualisations of the TSI.

2.4.1 Globalisation of the temporary staffing industry

The 1990s and 2000s witnessed substantial growth in the TSI in much of the capitalist world (Campbell and Burgess, 2001; Houseman et al., 2003; Casey and Alach, 2004; Koene et al., 2004, Purcell et al., 2004;Coe et al., 2007a). This growth can be observed through a number of lenses. First, through examination of global annual revenue, which nearly trebled from around €83 billion in 1994, to €247 billion in 2010 (Ciett, 2012) (see Figure 2.6). In 2010 the two largest transnational temporary staffing agencies, Adecco and Manpower, achieved annual revenues of $21.3bn and $18.9bn respectively. The industry had grown to the extent that it was estimated that Manpower would be the largest employer in the world if all the workers it used were counted (Purcell et al., 2004). Research has shown how geographically uneven the expansion of this industry has been, and where the majority is concentrated (i.e. still in the core markets of the UK and US with some additions) (Coe et al., 2007a; 2011a).

Figure 2.6: Global revenues for the temporary staffing industry, 1996-2010

Source: Based on Ciett (2012).

In 2010 over 50% of the market was accounted for by the USA (19%), Japan (27%) and the UK (9%) alone (Ciett, 2007a; 2012; Coe et al., 2007a; 2008). While these three
leading markets have retained their positions since 2006, the proportions have altered, and by 2010, the emergence of other countries such as Brazil had occurred (see Figure 2.7). Europe has remained the largest regional entity for the TSI, accounting for 38% of global revenues (Ciett, 2012).

Figure 2.7: Global revenue for the temporary staffing industry, 2006-2010

![Pie chart showing global revenue for the temporary staffing industry, 2006-2010.]

Source: Based on Ciett (2007a, 2012).

Second, the number of temporary agency workers globally (daily, full time equivalents) more than doubled, from 3.6 million in 1996 to 10.4 million in 2010 (Ciett, 2011). Europe accounted for 35% of this total in 2010, while the largest numbers were found in USA, South Africa, Brazil, Japan and the UK. Since 1996 these markets experienced rapid growth, albeit at different rates. The largest growth in terms of numbers was experienced by Japan (as explored by Coe et al., 2012) and South Africa (see Table 2.8).

Table 2.8: Numbers of temporary agency workers in selected countries, 1996-2010 (daily full time equivalents in thousands)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>na</td>
<td>Na</td>
<td>308</td>
<td>na</td>
</tr>
<tr>
<td>Brazil</td>
<td>na</td>
<td>800</td>
<td>965</td>
<td>na</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>na</td>
<td>Na</td>
<td>32</td>
<td>na</td>
</tr>
<tr>
<td>Germany</td>
<td>149</td>
<td>500</td>
<td>793</td>
<td>+432.2</td>
</tr>
<tr>
<td>France</td>
<td>291</td>
<td>603</td>
<td>520</td>
<td>+78.6</td>
</tr>
<tr>
<td>Japan</td>
<td>298</td>
<td>1,220</td>
<td>960</td>
<td>+222.1</td>
</tr>
<tr>
<td>Netherlands</td>
<td>147</td>
<td>207</td>
<td>208</td>
<td>+41.5</td>
</tr>
<tr>
<td>South Africa</td>
<td>na</td>
<td>300</td>
<td>967</td>
<td>na</td>
</tr>
<tr>
<td>UK</td>
<td>682</td>
<td>1,265</td>
<td>880</td>
<td>+29.0</td>
</tr>
<tr>
<td>USA</td>
<td>2,190</td>
<td>2,960</td>
<td>2,584</td>
<td>+18.0</td>
</tr>
</tbody>
</table>


The third lens to explore the growth of the TSI is through changes in the temporary agency work (TAW) penetration rate (the percentage of the workforce engaged in TAW) (see Table 2.9), which aids identification of the markets where temporary staffing has
made the greatest growth in comparison with the wider labour market. In 2010, the largest rate increase was experienced in South Africa, while other mature markets such as Australia, UK, Netherlands, France and Germany had rates of 2.0 or above. While the overall change between 1996 and 2010 indicates growth (except for the USA), there has been considerable fluctuation. Many markets experienced a peak in their penetration rate in 2008 and a subsequent decline after the onset of the global financial crisis. While some markets have experienced partial recovery with positive growth by 2012, others have yet to return to their previous rates, most notably in the USA.

Table 2.9: Temporary agency work penetration rate in selected countries, 1996-2010

<table>
<thead>
<tr>
<th>Country</th>
<th>1996</th>
<th>2006</th>
<th>2010</th>
<th>Change in % points 1996-2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>na</td>
<td>Na</td>
<td>2.7</td>
<td>na</td>
</tr>
<tr>
<td>Brazil</td>
<td>na</td>
<td>0.9</td>
<td>1.0</td>
<td>na</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>na</td>
<td>Na</td>
<td>1.0</td>
<td>na</td>
</tr>
<tr>
<td>Germany</td>
<td>0.5</td>
<td>1.5</td>
<td>2.0</td>
<td>+1.5</td>
</tr>
<tr>
<td>France</td>
<td>1.3</td>
<td>2.4</td>
<td>2.0</td>
<td>+0.7</td>
</tr>
<tr>
<td>Japan</td>
<td>0.5</td>
<td>1.9</td>
<td>1.5</td>
<td>+1.0</td>
</tr>
<tr>
<td>Netherlands</td>
<td>2.1</td>
<td>2.5</td>
<td>2.5</td>
<td>+0.4</td>
</tr>
<tr>
<td>South Africa</td>
<td>na</td>
<td>2.2</td>
<td>7.1</td>
<td>+4.9</td>
</tr>
<tr>
<td>UK</td>
<td>2.6</td>
<td>4.3</td>
<td>3.0</td>
<td>+0.4</td>
</tr>
<tr>
<td>USA</td>
<td>1.9</td>
<td>2.1</td>
<td>1.8</td>
<td>-0.1</td>
</tr>
</tbody>
</table>

Source: Adapted from Ciett (2012).

The globalisation of the TSI accelerated from the beginning of the 1990s (Peck et al., 2005) and by 2010 the top 20 transnational staffing agencies were all earning over US $100 million from outside their home markets (Ciett, 2012). This growth reflects an extensive scope of operations for the leading temporary staffing agencies, expanding from their bases in the established markets of North America and Western Europe, into a wide range of ‘emerging markets’ across Latin America, East Asia, and Southern Europe (Coe et al., 2005; Watts, 2011b). Another key ‘globalisation arena’ (Beaverstock et al., 1999) for the leading agencies has been Central and Eastern Europe: by 1999 six of the top 20 agencies had a presence in the region, and by 2004 this figure had grown to eleven (Coe et al., 2005).

Continued growth for the TSI has been attributed to a combination of expansion in existing markets (Burgess and Connell, 2002; Coe et al., 2007a; Storrie, 2002), and internationalisation into additional markets (Coe et al., 2009b). Despite a growing body of research, little is known about the interactions of temporary staffing agencies with other institutions in the labour market, and indeed the role of the TSI more generally. Research on the expansion of the TSI in the US and the UK has received the most attention (Peck and Theodore, 2002, 2007a; Theodore and Peck, 2002, Ward, 2003, 2005). While other
national markets have received less attention, some research has been conducted, for example, in the Czech Republic and Poland (Coe et al., 2008), Germany (Jahn and Bentzen, 2010), Italy (Degiuli, 2002, Nannicini, 2004) Japan (Imai and Shire, 2006), Korea (Kwon, 2008) and Sweden (Townsley, 2002; Andersson and Wadensjo, 2004; Nystrom, 2005, Coe et al., 2009b).

Theodore and Peck (2002: 489) argue that the ‘fundamental dynamics of the industry are expansionist as agencies press continuously to grow their markets and, by implication, to stretch the envelope of labour contingency’. This expansion has been summarised in three distinct stages (Peck and Theodore, 2002; Theodore and Peck, 2002). The 1970s saw disorganised growth, where agencies responded to market opportunities, focusing on the ‘traditional’ business model of placing short term workers in low skills occupations, particularly the ‘pink collar’ market (Peck and Theodore, 2002). In the 1980s developmental growth occurred, whereby agencies began to undertake market-making strategies (Peck and Theodore, 2007a), expanding into new sectors and in many cases, developing transnational branch networks. In the 1990s destructive growth took over, whereby agencies experienced saturation of the high volume markets and expanded into industrial and professional sectors. While this referred to the growth of the industry in the US market, it appears to be applicable to other national circumstances, such as the UK. However, it is unlikely these classifications will be as useful for the emerging markets, as the process of expansion appear to be highly geographically variegated (Coe et al., 2009a). The 2000s have witnessed continued expansion, both across the globe and throughout sectors of the labour market in many countries (Coe et al, 2007a; 2011a). However, in some markets barriers to further growth have been experienced in some countries as markets become saturated and agencies have yet to explore further growth avenues (Peck et al., 2005; Coe et al., 2008). In addition the onset of the financial crisis in 2008 presented a set-back for the TSI as growth either halted or declined - although positive growth (albeit at low levels) has been experienced in many markets (Watts, 2012). This growth of the TSI should be considered against the context of widespread growth of flexible labour markets, an increased use of ‘non-standard’ forms of work - including temporary agency work - and changing demand from client firms.

2.4.2 The client firm perspective

Temporary staffing agencies are a specific form of labour market intermediary (LMI), involved in a unique triangular employment relationship with both firms and workers (see Figure 2.8), whereby a temporary staffing agency places workers into client firms in order to generate profit. Under this arrangement the agency has a contract with both the worker and the client firm for services to be completed, and is responsible for both pay and conditions of the temporary agency worker (Bronstein, 1991; see Davidov, 2004, for a
discussion of the employer status in this relationship). This relationship differs from other non-standard forms of employment, such as part-time work, which generally only involve an employer and employee (Gonos, 1997). The literature, primarily from business studies, has suggested a range of reasons why client firms use temporary staffing agencies.

**Figure 2.8: The triangular employment relationship**

![Figure 2.8: The triangular employment relationship](image)

Source: Adapted from Koene and Ansari (2011:515).

These can be grouped into four main clusters. The first explanation relates to the provision of flexibility of the workforce (Kalleberg, 2000). Atkinson (1985) presented the concept of the 'flexible firm', which suggested that employers segment their workforce according to contract type (see Figure 2.9).

**Figure 2.9: The flexible firm**

![Figure 2.9: The flexible firm](image)

In this model the 'core' workers have a permanent employment status and can provide *functional flexibility*, a concept that relates to how firms deploy their internal human resources in order to cope with changes in external demand (Pollert, 1988). Other 'peripheral' workers are drawn from outside the firm, mainly deployed to provide *numerical flexibility*. Often the tasks assigned to these peripheral workers are low skilled, or require little firm specific knowledge (Segal and Sullivan, 1997; Purcell et al., 2004). This model suggests that firms develop their skilled core workforce as part of an internal labour market, and use periphery workers from external sources to manage fluctuations in the external market. Temporary agency workers in this context can be sourced to obtain numerical flexibility through quantitative adjustment - a 'flexible buffer' - allowing employers to strategically maintain their workforce at an appropriate level, according to demand (Atkinson, 1985; Bronstein, 1991; Coe et al., 2009b; Peck and Theodore, 2007a). In times of economic expansion, temporary agency workers are often employed as a precaution to buffer core workers, in case of a subsequent sharp decrease in demand (Vidal and Tigges, 2009). This is designed to protect the core workforce (Magnum et al., 1985; Dale and Bamford, 1988; Nollen 1996; Laird and Williams, 1996; Segal and Sullivan, 1997; Beforet, 2003).

This motivation is disputed by some scholars, who criticise the flexible firm approach on the basis that the model no longer reflects the reality of the modern workplace, with a variety of workplace arrangements (see Keenan and Thom, 1988; Pollert, 1988; Blyton and Morris, 1991). Furthermore, Gannon and Nollen (1997) argue that the use of temporary agency workers is not necessarily a component of planned human resource strategy; instead it may emerge as an ad-hoc response to a range of pressures. A number of studies have demonstrated that temporary agency workers are not always utilised as part of a coherent employment model (Geary, 1992; Peck and Theodore, 2002) - in fact, at times employing temporary agency workers contradicts other corporate strategies, such as when there is a jobs freeze (Ward et al., 2001). When analysing firm use of temporary agency workers it would be wrong to make the assumption that the objectives of individual firms are rational, or can be modelled against a rigid set of prescribed conditions.

The second explanation for client firms to use temporary staffing agencies relates to cost reduction, in terms of labour costs and wider human resource management costs. On average, temporary agency workers receive lower wages than their permanent counterparts (Nollen, 1996; Pedersen et al., 2004; Stanworth and Drucker, 2004). However, this is not always the case, particularly for those working in professional occupations or highly skilled positions, such as nursing (Purcell et al., 2004). For the client firm however, the costs may be higher as temporary staffing agencies also charge a fee according to the amount of work undertaken (Segal and Sullivan, 1997; Kalleberg, 2000;
Rather than reduce hourly wage costs, the client firm benefits from reduced non-wage costs including holiday pay, sick pay and so on. However, temporary staffing agencies may not always make these 'savings', as some national regulations require equal treatment for temporary agency workers, which can include such benefits (Vaes and Vandenbrande, 2009). An alternative aspect of cost saving relates to other recruitment costs including processes of hiring new works, processes of advertising, interviewing etc. By outsourcing these functions to temporary staffing agencies, time and money is saved in the human resources department. Furthermore, using temporary agency workers has the potential to act as a 'screening' or trialling method for potential permanent positions (Lenz, 1996; Segal and Sullivan, 1997; Peck and Theodore, 1998; Autor, 2001; Forde, 2001; Ward et al., 2001; Booth et al., 2002; Houseman et al., 2003; Forde and Slater, 2005; Gray, 2002; Hall, 2006). Client firms have the opportunity to observe worker performance with more time to find suitable workers if necessary (Houseman et al., 2003; Mitlacher, 2007). Houseman et al. (2003) argue that in tight labour markets using temporary agency workers reduces the necessity to raise wages of regular employees, assuring that the use of temporary agency workers becomes advantageous. However, comparison of different firms reveals this was not always the case. Kountouros (2008:58) stated that only around 1-2% of clients activities explicitly identify cutting labour costs as their reason for using temporary agency workers. Increasing global competition is causing many companies to reorganise their employment strategies (Purcell et al., 2004:710). Furthermore, a wider range of factors is affecting the choices to use temporary agency workers, 'some were corporate requirements for labour cost reductions and head count manipulations, others were reasons of local operational flexibility' (Purcell et al., 2004:710).

The third motivation for the use by firms of temporary staffing agencies relates to externalised risk for client firms associated with employing workers (Houseman, 2001). The use of temporary staffing agencies to hire workers transfers strategic risks (and to some extent responsibility) associated with investment in human capital onto the agencies and individuals, and away from the clients themselves (Mitlacher, 2006). On other occasions, where client firms find it difficult to fill permanent positions (particularly for skilled positions such as nurses), temporary agency workers can be used as an alternative with the intention of recruiting suitable personnel from those in temporary posts (Abraham, 1990; Houseman, 2001; Kalleberg et al., 2003). The logistics of finding the potential employees is left to the agency, as is the task of letting them go if they are not deemed suitable, and agencies can quickly fill a vacancy while employers seek permanent candidates for a lower wage rate. However, this is often costly for the employer as many temporary staffing agencies impose temp-to-perm fees (Forde, 2001). Furthermore, Autor (2003) suggests that temporary agency workers who have their
contracts terminated are less likely to sue employers for dismissal than permanent workers.

Finally, a fourth motivation for using temporary staffing agencies relates to the potential impact upon the knowledge stock of a firm (Matusik and Hill, 1998; Lepak and Snell, 1999). Commentators reflecting on more subtle strategic advantages of the agency contract suggest that TAW can affect a firm’s ability to accumulate knowledge, create value and establish competitive advantage (Matusik and Hill, 1998). From this perspective temporary agency workers can also bring public knowledge into the firm and have a catalytic effect on the knowledge creation process in dynamic environments. Matusik and Hill (1998) point to the importance of strategically allocating temporary agency workers to aid knowledge creation, highlighting the importance of organisational learning within a ‘new competitive landscape’, as pressures to reduce costs increase. However, considering the majority of temporary agency workers are placed in the lower skilled sectors of employment (Blainpain and Graham, 2004), the extent to which knowledge transfer and creation in the workplace takes place is questionable.

Although these explanations for client firm use of temporary staffing agencies contribute to a greater understanding of the rising use of TAW, they do not incorporate changing environmental factors into their accounts. Rationalisation of firm policy from this perspective is derived from the analysis of rational actors in a timeless, placeless, steady state (Jacoby, 1990), an approach ill-suited to the dynamic relationship between the firm and its wider external environment. Labour markets are strongly influenced by wider society, and these approaches fail to take into account the influences of laws and regulations governing employment, as well as agency, trade union and trade association influences, which in turn reflect the values, norms and beliefs of society. Furthermore, European and national legislation impinge upon an organisation’s choice with regard to whether temporary agency workers are cost effective. The implication of this is that the behaviour of firms with regards to structuring their labour input is, first and foremost, a function of labour market institutional environments. These demand-led theories perceive the firm as central to shaping the labour market and ultimately the development of the TSI. Furthermore, these theories seek to identify the advantages of using TAW, but fail to consider the range of relationships these agencies have with other institutions in their economic-system. The economic benefit of using temporary agency workers for clients is very much dependent on the market and regulatory conditions of a firm’s surroundings, and therefore the rationale for using temporary staffing agencies is likely to differ in national contexts.
2.4.3 The client worker perspective

The third element of the temporary staffing relationship identified in Figure 2.8 is the temporary agency worker. As a means of reinforcing the understanding of the client firm perspective this section seeks to explore the factors which affect why workers become placed through temporary staffing agencies, and their experiences of being a ‘temp’. While not the direct focus of this thesis, these explanations too may alter according to national context, and as such impact on the role and development of the TSI.

The first group of literature seeks to highlight why workers engage with temporary staffing agencies. Temporary agency workers are not a homogeneous group of people; in different labour markets, particular groups of people, according to gender, age, ethnicity and skill level tend to be over-represented (Vosko, 2000). Sociologists have explained the over-representation of these groups, particularly women, as a function of rational economic decisions, and changing employment preferences (Smith and Neuwirth, 2009; Vosko and Clark, 2009; Vosko et al., 2009). Women with children, the young and the elderly tend to be over-represented in temporary agency workers (Marshall, 1989; Vosko, 2009; Vosko et al., 2009), and are simultaneously considered to have a ‘marginal’ commitment to the labour market (Stanworth and Druker, 2004). In this explanation, workers ‘choose’ to engage in TAW in order to maintain flexibility in their employment to fit around their own lifestyles - be it as a mother working around childcare, or a student supplementing income (Bergstrom and Storrie, 2003; Kalleberg, 2000; Lenz, 1996; Lewis and Molloy, 1991; Neugart and Storrie, 2006). Not pursuing a permanent job could be a strategy to gain a better work-life balance, gain experience, or to use agencies as a stepping stone into permanent employment (Albert and Bradley, 1997; Kvasnicka, 2005; Gash, 2008). While the TSI presents this desire for flexibility as a driver for a choice (Ciett, 2007c), to those undertaking TAW this was not necessarily the case (Vosko et al., 2009). However, a growing number of high skilled temporary agency workers suggests that occupational capacity to move in the labour market generates a greater element of ‘choice’ (see Kessler et al., 1999; Kunda et al., 2002). Evidence suggests that individuals in the areas of teaching and social work use temporary staffing agencies to avoid administrative burdens arising from increased government targets that in turn increase workloads (Grimshaw et al., 2003; Kirkpatrick and Hoque, 2006).

An alternative view suggests that participation in TAW is more the result of a failure to gain permanent employment, particularly for the low skilled (Kalleberg, 2000; Connell and Burgess, 2002; Storrie, 2002; Purcell et al., 2004; Pedersen et al., 2007). Undertaking TAW is a result of inequalities in the labour market, which result in some social groups participating in low skilled TAW positions, particularly in the service sector (Vosko, 2000;
Purcell et al., 2004; Stanworth and Druker, 2004; Forde and Slater, 2006). For these groups, the 'stepping stone' function of TAW may never come to fruition (Dale and Bamford, 1988; Korpi and Levin, 2001; Booth et al., 2002; Gray, 2002; Anderson and Wadensjo, 2004). Whatever reason underlies the choice by an individual to participate in TAW, there is still some debate over whether the TSI acts as a 'bridge' or a 'barrier' to more permanent forms of employment (Buchtemann and Quack, 1989; Peck and Theodore, 2007a). While there are examples of TAW being described as a last resort (Kountouros, 2008), there is also evidence that some temporary agency workers engage in this form of work on a long-term basis (effectively as 'permanent temps') (Purcell et al., 2004).

The second group of literature explores the experiences of being 'a temp', largely from sociological perspectives. Research carried out on the working conditions of agency workers indicates that TAW is often associated with inferior working conditions, i.e. poor pay, fewer benefits such as holidays, and lack of opportunities for training and career development (DTI, 2003) when compared to those doing similar jobs on permanent contracts (Parker, 1994). For many client firms temporary agency workers are a source of flexibility, and as such are seen as another commodity resulting in vulnerability and 'normalised insecurity' (Parker, 1994; Henson, 1996; Kalleberg, 2000; Vosko, 2000). Consequently many temporary agency workers may feel stigmatised in the workplace, often labelled as 'the temp' (Parker, 1994). Due to the nature of working through a temporary staffing agency this means some placements can be short-term, and so there is little opportunity for workers to settle in a workplace or become involved in work related organisations, such as trade unions (Allen and Henry, 1997; Deguili and Kollmeyer, 2007; Gottfried, 1992). As a consequence, they are rarely well represented in work-related campaigns from trade unions, and temporary agency workers experience little solidarity (Smith, 1998).

The final group of literature suggests that temporary staffing agencies exercise mechanisms of control over temporary agency workers. The nature of TAW means that there are several channels of control, both from management in the workplace and the temporary staffing agency (Gottfried, 1992; Vosko, 2000). Combined, these actors exert a series of control mechanisms through a 'flexible frontier of control', where temporary agency workers experience pressures from both sides, and sanctions from both agency and the firm can take place (Gottfried, 1991; Smith, 1997). While temporary agency workers are required to adhere to both agency and client procedures, agencies can exert further powers over the workers by reinforcing the insecure nature of their work, constantly under the threat of dismissal on short notice (Gottfried, 1992; Krasas Rogers, 2000; Ward et al., 2001). Temporary agency workers may feel this constant uncertainty
around their work security, yet they may be encouraged by the possibility of a permanent job as a result of a placement (Parker, 1994). In reality, this ‘stepping stone’ function may never occur, but the possibility essentially acts as a tool for agencies to discipline temporary agency workers (Smith, 1998; Kalleberg, 2000; Deguili and Kollmeyer, 2007). The literature highlights that the reality for many temporary agency workers is that they have little control over their work placements, many of which are last minute and of unknown duration (Gottfried, 1992; Allen and Henry, 1997). While workers represent a key element of the temporary staffing relationship, this literature suggests they exert little control or influence over the relationship.

Although research has paid significant attention to the gendered nature of temporary agency workers, other facets of the workforce composition are less researched. The desire for employment of any form or a step to permanent employment remain the primary motivations for workers to pursue employment through temporary staffing agencies, while some choose this form of employment for personal flexibility. In spite of the promotion of TAW as a suitable form of employment by the TSI, research still points to its precarious nature. Considering both the client firm and worker perspectives on temporary staffing agencies provides insights which may complement the developing knowledge of expansion of the industry from the agency perspective.

2.4.4 The temporary staffing industry perspective

There is by now a small but growing body of research on the expansion, diversification and globalisation of the TSI. This research, which has sought to profile and conceptualise the temporary staffing industry, has a number of strands. Beyond charting the global growth dynamics of the TSI, some geographers have sought to explore different facets of the industry growth, namely internationalisation and diversification, and the ‘agency of agencies’, particularly in aspects of lobbying, interaction with the state and regulation. It is argued that two key strategies of temporary staffing agencies have led to their global presence: internationalisation and diversification (Peck et al., 2004; Ward, 2004; Coe et al., 2005, 2007a). Internationalisation represents the efforts of many agencies to increase their presence via branch networks in additional geographical markets. In exploring internationalisation strategies, Ward (2004) makes comparisons to the expansion of other producer services such as advertising, accountancy, banking, business services, computer services, financial services and law, arguing that these services have experienced a number of internationalisation pressures (Daniels, 1986; Gentle, 1993; Beaverstock, 1996; O’Farrell and Wood, 1996; Coe, 1997; Beaverstock et al., 1999; Grabher, 2001). A key comparison was drawn from Beaverstock (1999:1860) that ‘as other producer services were expanding their corporate empires throughout Europe, North America and East Asia, in turn, law firms internationalised specifically to serve their
corporate clientele in situ’. Client firm expansion has also driven the demand for temporary staffing agencies to follow suit, and Peck et al. (2005:24) argued that, as a consequence, the ‘temporary staffing industry has been remarkably adept at delivering its product in an increasing number of national contexts’.

Ward (2004) identifies three strategies of internationalisation: first, merger and acquisition as a strategy to gain presence in new geographical markets; second, organic growth via expansion of branch networks in existing markets; and third, developing new types of accounts in the form of international contracts to prompt expansion of offices in new markets, often through approaching clients. The extent of this internationalisation is clearly visible in the transnationality tables produced by Coe et al. (2007b; 2011b), which display the amount of revenue derived from foreign markets, and how this has changed over time. In 2010 these top transnational agencies derived a large proportion of their revenue from foreign markets, with two agencies in the top 20 present in more than 70 countries, and six companies present in over 20 (Coe et al., 2011b). Coe et al. (2011a) argue that this suggests these agencies are displaying a level of internationalisation that is comparable with many other business service sectors. The extent of temporary staffing agency international activity can be viewed, at least at the top end of the market, through the transnationality rankings of the top 20 agencies in 2005 and 2010 (see Table 2.10).

For many of these top 20 agencies, a large proportion of their revenue is generated in territories beyond their home market. Until 2008, global economic growth resulted in increased revenue generation for most temporary staffing agencies, as many agencies were able to enter new markets due to a perception of future growth (which could have been driven by reduced regulation). Table 2.10 shows that between 2006 and 2010 several agencies experienced a fall in total revenues (Kelly Services, Robert Half, Hudson Highland, Monster and CDI Corp.), yet only two experienced a fall in foreign revenues, indicating foreign business acted as a strength for most agencies. For many agencies, the 2010 figures do not represent their highest revenues, with many achieving a peak in 2007 before the global financial crisis that started in 2008. Furthermore, some changes shown in Table 2.10 are also a result of mergers - for example, Vedior and Randstad in 2007 - which goes some way to explain the 58% rise in total revenue for between 2005 and 2010.
### Table 2.10: Transnationality rankings of temporary staffing agencies, 2005-2010

<table>
<thead>
<tr>
<th>Rank 2010</th>
<th>Rank 2005</th>
<th>Firm</th>
<th>Origin</th>
<th>Foreign Revenue (m) 2005</th>
<th>Foreign Revenue (m) 2010</th>
<th>% change 2005-2010</th>
<th>Total Revenue (m) 2005</th>
<th>Total revenue (m) 2010</th>
<th>% change 2005-2010</th>
<th>No. of countries 2005</th>
<th>No. of countries 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>Adecco</td>
<td>Switzerland</td>
<td>21,250.22</td>
<td>22,403.16</td>
<td>5.1</td>
<td>21,679.00</td>
<td>22,892.78</td>
<td>5.3</td>
<td>70</td>
<td>60</td>
</tr>
<tr>
<td>2</td>
<td>2</td>
<td>Manpower</td>
<td>US</td>
<td>13,487.30</td>
<td>16,083.10</td>
<td>16.1</td>
<td>16,080.4</td>
<td>18,866.50</td>
<td>14.8</td>
<td>72</td>
<td>82</td>
</tr>
<tr>
<td>3</td>
<td>4</td>
<td>Randstad¹</td>
<td>Netherlands</td>
<td>4,958.90</td>
<td>15,169.34</td>
<td>67.3</td>
<td>7,873.80</td>
<td>18,946.38</td>
<td>58.4</td>
<td>19</td>
<td>37</td>
</tr>
<tr>
<td>4</td>
<td>5</td>
<td>USG People</td>
<td>Netherlands</td>
<td>1,960.74</td>
<td>2,5143.73</td>
<td>6.5</td>
<td>3,544.70</td>
<td>4,140.44</td>
<td>14.4</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>5</td>
<td>8</td>
<td>Hays</td>
<td>UK</td>
<td>758.00</td>
<td>2,262.23</td>
<td>166.5</td>
<td>2,981.82</td>
<td>4,039.69</td>
<td>26.2</td>
<td>16</td>
<td>31</td>
</tr>
<tr>
<td>6</td>
<td>6</td>
<td>Kelly Services</td>
<td>US</td>
<td>1,274.42</td>
<td>1,828.40</td>
<td>45.5</td>
<td>5,289.83</td>
<td>4,950.30</td>
<td>-6.9</td>
<td>29</td>
<td>35</td>
</tr>
<tr>
<td>7</td>
<td>10</td>
<td>Robert Half Int.</td>
<td>US</td>
<td>636.05</td>
<td>911.78</td>
<td>44.8</td>
<td>3,338.44</td>
<td>3,175.09</td>
<td>-5.1</td>
<td>17</td>
<td>26</td>
</tr>
<tr>
<td>8</td>
<td>11</td>
<td>Michael Page</td>
<td>UK</td>
<td>443.63</td>
<td>822.34</td>
<td>86.5</td>
<td>1,292.03</td>
<td>292.2</td>
<td>29.2</td>
<td>18</td>
<td>33</td>
</tr>
<tr>
<td>9</td>
<td>-</td>
<td>Brunel</td>
<td>Netherlands</td>
<td>na</td>
<td>798.73</td>
<td>na</td>
<td>na</td>
<td>963.30</td>
<td>na</td>
<td>na</td>
<td>35</td>
</tr>
<tr>
<td>10</td>
<td>15</td>
<td>Synergie Group</td>
<td>France</td>
<td>242.86</td>
<td>659.68</td>
<td>163.5</td>
<td>1,103.91</td>
<td>1,644.06</td>
<td>32.9</td>
<td>9</td>
<td>14</td>
</tr>
<tr>
<td>11</td>
<td>-</td>
<td>Hudson Highland</td>
<td>US</td>
<td>934.20</td>
<td>633.3</td>
<td>-31.5</td>
<td>1,428.27</td>
<td>794.54</td>
<td>-39.4</td>
<td>25</td>
<td>19</td>
</tr>
<tr>
<td>12</td>
<td>16</td>
<td>Robert Walters</td>
<td>UK</td>
<td>196.19</td>
<td>413.41</td>
<td>112.4</td>
<td>409.34</td>
<td>658.52</td>
<td>63.8</td>
<td>13</td>
<td>23</td>
</tr>
<tr>
<td>13</td>
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<td>185.8</td>
<td>285.12</td>
<td>584.02</td>
<td>101.2</td>
<td>15</td>
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<tr>
<td>14</td>
<td>-</td>
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<td>na</td>
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</tr>
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<td>15</td>
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<td>283.16</td>
<td>383.18</td>
<td>34.8</td>
<td>986.92</td>
<td>914.13</td>
<td>-6.7</td>
<td>24</td>
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<td>16</td>
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<td>Heidrick and Struggles</td>
<td>US</td>
<td>na</td>
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<td>na</td>
<td>na</td>
<td>513.24</td>
<td>na</td>
<td>na</td>
<td>36</td>
</tr>
<tr>
<td>19</td>
<td>20</td>
<td>Proffice</td>
<td>Sweden</td>
<td>122.35</td>
<td>164.24</td>
<td>26.5</td>
<td>304.43</td>
<td>610.31</td>
<td>98.8</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>20</td>
<td>14</td>
<td>CDI Corp.</td>
<td>US</td>
<td>275.53</td>
<td>141.06</td>
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<td>1,133.58</td>
<td>926.29</td>
<td>-17.7</td>
<td>5</td>
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</tr>
</tbody>
</table>

¹ = Vedior merged with Randstad in 2007  
na = not available  
Source: Adapted from Coe et al. (2007b; 2011b) in addition to information from company websites
In addition to internationalisation, the TSI has experienced a profound transformation from its earlier activities of providing temporary agency workers for predominantly clerical and light industrial work in its core markets of the US and the UK, as part of three diversification strategies (Ward, 2004). The first strategy involves sectoral diversification into more professional and higher end industrial niches, motivated by higher profits compared to many of the 'traditional' sector temporary staffing occupations. The professional sectors were also viewed as less prone to cyclic shifts in the labour market (i.e. professionals such as nurses are needed all year round, or whatever the state of the economy), thus reducing the risk to cyclical shifts in revenue or economic downturns (Ward, 2004). Diversification meant more sectors of the labour market have had their 'traditional employment relationships norms challenged as the industry has crafted a range of "flexibility packages" across a range of clerical, technical and blue-collar occupations' (Coe et al., 2010:1063).

The second strategy involves an increased range of services provided by temporary staffing agencies. Many temporary staffing agencies now provide a range of human resource solutions, including workers, skills training, payroll, and management resources (Peck and Theodore, 2002; Peck et al., 2005; Ward, 2007). The wide range of staffing solutions offered reflects a more service-orientated strategy of the TSI, adopting strategies to make themselves less vulnerable to the cyclical variations of the economy. While the revenues generated from these activities may be much less than traditional placing of working activities, this strategy contributes to 'deepen the relationship they have with clients' (Ward, 2004:268). Related to this is the third strategy, the development of vendor-on-premises (VOP) arrangements, whereby temporary staffing agencies have a representative in client firms which use large volumes of temporary agency workers.

The TSI became increasingly internationalised as a result of the expansionary tactics of agencies, but also undertook a diversification of activities through widening the services provided for client firms as part of 'market making activities' linked to their overall expansion strategies (Ward, 2004; Theodore and Peck, 2002). The largest temporary staffing agencies have pursued joint strategies of internationalisation and diversification (Coe et al., 2007, Peck et al., 2005, Ward 2004). This has meant entering new markets, and as a result transforming labour relations. Temporary staffing agencies, according to these discussions of internationalisation and diversification, are central actors. Coe et al. (2009a) highlight that the trade associations too have had a role to play in the internationalisation of the TSI. Ciett (International Confederation of Private Employment Agencies), the global trade association for the industry, and the American Staffing Association, have made great efforts to 'create conditions for the internationalisation of the industry from its heartlands - France, the Netherlands, UK and the USA - into newer, less
developed markets, particularly in Central and Eastern Europe and South East Asia’ with some level of success (Coe et al., 2009a:56). This hints at the increased role of agencies and their associations in their developing role in the labour market. Increasingly, temporary staffing agencies ‘are not simply supplying services: in their role as private labour market intermediaries they are a major new institutional presence in liberalizing economies’ (Peck et al., 2005:4). These actions, as part of their strategies to increase presence in labour markets across the globe has been described as the ‘agency of agencies’ (Coe et al., 2010) their ability to shape the labour markets in which they operate.

This is displayed in the contexts of Central and Eastern Europe (Coe et al., 2008) where some agencies have driven development, and as such regulation has followed market growth, while other agencies remained constrained in countries where deregulation has been less responsive, or has not occurred at all (for example Italy). The activities of the temporary staffing agencies are highly territorially embedded in the various national markets in which they invest. As Peck (2005:23) argues, ‘this then, is not a unidirectional process of global integration but a dialectical process in which local temp markets, national regulatory systems and multinational strategies are co-evolving in a complex manner. Global pressures and, players are helping to open up national markets, but each market is opening up in its own way’.

Aside from developing their relationships with other institutions directly, temporary staffing agencies have also sought to secure and expand their presence through lobbying, either directly or via trade associations (Coe et al., 2009b). It has been observed that temporary staffing agencies have ‘substantial and effective lobbying capabilities’ (Jones, 2002:189). Temporary staffing agencies have been lobbying for changes to regulation in order to make markets more conducive to expansion - which in many cases means re-regulation of markets where no provision existed, or deregulation where such practices were deemed illegal (Peck and Theodore, 2002; Peck et al., 2005). In contrast, trade unions were often lobbying against the expansion of the TSI, on the basis that it weakens the pay and conditions or workers, or jeopardises the position of permanent workers (Heery, 2004; TUC, 2009). Agencies have entered the political sphere, either directly or through those that represent them, and trade associations have sought to position themselves as legitimate labour market commentators, most notably through the global association, Ciett, which holds annual conferences and has attempted to engage with a wider range of stakeholders, including EU institutions in Brussels (Peck et al., 2005). Once again, the degree to which these institutions influence the wider system will depend on the wider labour and industrial relations system.
Temporary staffing agencies have made attempts to shape the labour market, including selling new employment solutions, creating new ways of contracting, entering new occupational markets of highly skilled professionals and executives, and attempting to influence the regulatory environment of its target countries (Forde and Slater, 2007:6-7). At both the high and low skill ends of the temporary agency work sector, temporary staffing agencies have expanded, 'insinuating themselves as increasingly important players in a particular niche market' (Purcell et al., 2004: 722). Further to this, according to Forde and Slater (2007:7), the progression of the TSI into the public employment sphere 'provides the industry an important platform from which to defend and extend the regulatory environment and the scope of the activities in which the industry is involved'.

Research has focused on the expanding range of services provided by agencies and the roles they play in the labour market including skills training (Autor, 2001), co-ordination with public employment services (Denys, 1999; Nakayama and Samorodov, 2004) and human resource management (Hall, 2006). While temporary employment agencies 'have long complemented the traditional employment market, they are now considered as a catalyst for new forms of human resource management services' (ILO, 2007: vii). Theodore and Peck (2002:467) describe how agencies are key to 'exposing, making and expanding the market for temporary labour'. Coe et al. (2009a:60) clarify this by explaining that this means 'which transnational agencies enter a market and then consolidate and/or diversify their business shapes the production of temporary staffing markets. The same goes for the range of expansionary strategies pursued by domestic staffing agencies, and the intra-national geographies these produce'. While in some cases the actions of the temporary staffing agencies themselves may in part explain the growth of TAW in particular labour markets, the influence of the regulatory environment in which they are embedded cannot be ignored (Koene et al., 2001). Peck et al. (2005:22) argued that while the growth of the TSI may appear to be proceeding like any other 'textbook case of globalisation', with expansion of large transnational corporations into an ever-growing number of markets, it is also distinctive. The TSI is viewed as an active agent in the process of labour market deregulation, expanding into markets where flexibility is not seen as a prominent feature. As a result, the growth of the TSI has occurred in many locations, yet the role of temporary staffing agencies differs considerably between countries, depending on not only the motivation behind the use of TAW by employers (Mitlacher, 2007), but also the different institutional arrangements in different labour markets. The expansion of the TSI remains highly differentiated, as in different national markets it appears to evolve in highly individual ways, driven by the specific institutional arrangements (Coe et al., 2009a).
Research indicates that in some labour markets temporary staffing agencies seek increased co-operation with public employment services. This was seen in the UK in the 1980s under the Conservative government, where some private employment agencies were allowed to advertise posts in job centres (Forde and Slater, 2007), yet these activities have been largely neglected by the literature. An exception is where Finn (2003) investigated the presence of agencies in public employment services and found that, in 2002, up to 15% of vacancies advertised in job centres were from private agencies. It has been argued that the actions of public employment services, primarily the development of Job Centres in high streets, is an attempt to compete with the locations of private agencies (Price, 2000) in the UK. Forde and Slater (2007:1) highlight that temporary agencies have been viewed in the past as passive actors that simply follow the market rather than exposing their ‘market creating’ capabilities.

However, there is a definitive conflict of interests between private temporary staffing agencies and public employment services (see Forde and Slater, 2007), primarily because private agencies are profit-seeking firms, whose objective is not to provide a public service, instead being concerned with heightening their visibility in the market and ensuring their profits are increased. As Showler (1976) highlighted, the aim of maximum worker placements which remains at the forefront of the agenda for temporary staffing agencies, often conflicts with the social objective of helping as many people find work as possible - the aim of public employment services. The evidence seems to confirm that this is the case with ‘an increased likelihood of the individual job-seeker encountering private agencies, and temporary placements offered through private agencies in particular’ (Forde and Slater, 2001:10), indicating shifting boundaries between the state and the private sector in providing employment placements. Forde and Slater (2007) conclude that further investigation is needed into the co-operation that occurs between public and private labour intermediaries, not only to assess the tensions surrounding the overall goals of the actors involved, but also to evaluate the impact this relationship has on the role of private agencies in the labour market.

Ciett, the temporary staffing industry's main representative body, has explained that it is important for private agencies to interact with the state, as this would not only increase their market presence but also provide a further avenue for influencing their regulatory environment. As Forde and Slater (2007) have already suggested, this may represent a shift in the role of the state as not necessarily a provider, but as a contractor. This provides a wealth of new opportunities for the TSI as it opens up the possibility of access to members of the labour market which may have previously only interacted with public employment services. In developing relationships with such state institutions, the TSI
strengthen their position in the labour market and indicate their ‘serious and indispensable institutional presence’ (Forde and Slater, 2007:6).

While agencies have been active in developing their presence in many markets, it is recognised that regulation has played a key role in the establishment and expansion of the TSI in many areas of the world (see Clauwert, 2000; ETUI, 2000; Freeman and Gonos, 2005; Imai and Shire, 2006; Ahlberg, 2008; Ahlberg and Bercusson, 2008a; Ahlberg et al., 2008; Bercusson, 2008b; Kountouros, 2008; Vigneau, 2008; Zappala, 2008). The regulation of the TSI - in the EU in particular - has been discussed not only by academics, but also by international institutions such as the ILO (see Storrie, 2002; Blainpain and Graham, 2004; Arrowsmith, 2006; Florkowski, 2006). Research by Walwei (1996) sought to classify countries according to their regulatory features: 'liberal' countries such as Australia or the USA, where few regulations were in place, compared to other contexts where regulations were higher - Italy for example. As with ‘varieties of capitalism’, which sought to classify countries by broad characteristics, this revealed little about the national experiences of regulations, or their basis for implementation.

Furthermore, the TSI will also be influenced by the wider institutional environment for employment in different national contexts (Coe et al., 2009b). As highlighted by Storrie (2002), legalisation or deregulation has resulted in expansion of temporary staffing in Austria, Czech Republic, Finland, Greece, Japan, Italy, Poland, Portugal, Slovakia, Slovenia, Spain, South Korea, Sweden, Turkey, and more (a detailed examination of changes to European legislation change is provided in Section 3.5). The regulatory landscape for many countries has become more conducive to temporary staffing; the state has played a role in the construction of markets. As Peck et al. (2005:6) state; ‘recently, the pattern of regulatory reforms across most of the advanced industrial nations and in many of the transitional and developing countries has become favourable to the temporary staffing industry’.

Traditionally less regulation has existed in the core markets of the UK and US, and this is perhaps reflected in the expansion of the TSI in these locations. However, it has been suggested that this has led to a highly fragmented industry in these locations, as there is a mixture of the larger transnational agencies alongside smaller agencies, which still attempt to compete because of low barriers to entry (Coe et al., 2009b). The level of regulation in different countries affects the ability of temporary staffing agencies to expand; consequently changes to the regulatory climate have been associated with the level of geographical expansion (Michon, 2000; Peck and Theodore, 2007a). According to Coe et al. (2009b) regulation of the TSI can be grouped into five broad categories (see
Table 2.1). Approaches to regulation, particularly in a European context, are explored in depth in Chapter 3.

Table 2.1: Five types of regulatory environments

<table>
<thead>
<tr>
<th>Type</th>
<th>TSI Regulation</th>
<th>Labour Market Regulation</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type 1</td>
<td>Liberal</td>
<td>Liberal</td>
<td>Ireland, UK, US</td>
</tr>
<tr>
<td>Type 2</td>
<td>Liberal</td>
<td>Lightly regulated</td>
<td>Australia, Czech Republic</td>
</tr>
<tr>
<td>Type 3</td>
<td>Liberal</td>
<td>Highly regulated</td>
<td>Germany, Netherlands, Japan, Sweden</td>
</tr>
<tr>
<td>Type 4</td>
<td>Strict</td>
<td>Lightly regulated</td>
<td>Belgium, Italy</td>
</tr>
<tr>
<td>Type 5</td>
<td>Strict</td>
<td>Strict</td>
<td>France</td>
</tr>
</tbody>
</table>

Source: Based on Coe et al. (2009b: 69).

The importance of regulation is made clearly visible by the actions of agencies and their trade associations in their efforts to lobby for regulatory change. It is important that research which addresses regulation goes beyond simply identifying regulation change, such as deregulation, to identify the specific impact these changes have on the national temporary staffing market. Instead there needs to be a greater understanding of the wider political economic systems, or variegated nature of capitalism (Peck and Theodore, 2007b) to address difference within categorisations and identify specific formations of the TSI. While one would assume agencies would rather reduced regulation in all employment spheres, Peck and Theodore (2002:153) argued that 'the industry's business interest is best served by the growth of regulatory costs in the main stream employment relations, coupled with the ongoing under-regulation of its own sphere of operations'. This indicates the importance of considering other labour market institutions within the economic system.

While regulation is one aspect of the institutional arrangements which influences the temporary staffing industry, Coe et al. (2009b:60) argued that analyses 'need to move beyond the regulatory sphere, however, to recognise the institutional place of temporary staffing agencies'. Furthermore, they argued that 'simplistic typologies of the regulation of the temporary staffing industry and/or labour systems may miss the complex and variegated ways in which the distinctive staffing markets are continually produced (and reproduced) through the on-going interactions between these various elements' (Coe et al., 2009b: 61). Furthermore, developing an understanding of the role of temporary staffing agencies contributes to the wider goal of attempting to theorise the role of labour market intermediaries.

While the TSI has clearly been affected by the individual regulatory environments in which it has become embedded it is also likely to be affected by larger processes such as globalisation and increasing international migration. It has already been documented here how agencies have sought to expand their global presence, and this is itself a response to competition between agencies seeking to have their share of the global market.
Furthermore it exposes agencies to different national forms of labour markets, which in many cases may lead to the adaptation of practices in different host markets, as seen in the globalization of retail TNCs (Coe and Wrigley, 2007). Another global process which may affect the TSI is international migration. The OECD (2012:6) highlighted that: ‘labour market developments and migration flows are closely linked….Over the past decade, new immigrants accounted for 70% of the increase in the labour force in Europe, and 47% in the US. This positive role of migration in maintaining the size of the labour force in many countries is expected to become more important as more baby-boomers retire. By 2015, immigration - at the current level - will not be sufficient to maintain the working age population in many OECD countries, especially in the EU.”. With such large number of people moving into different national labour markets, temporary staffing agencies in different national markets may be affected, with either the loss or gain of workers. A few studies have highlighted how the TSI has become involved as an intermediary in the movement of workers for example in the cases of Central Eastern European workers to the UK post EU accession (McDowell et al, 2007, 2008 or the movement of workers to Saudi Arabia for the oil industry (Eelens and Speckmann 1990; Jones and Pardthaisong, 1999).

Furthermore Salt and Stein (1997: 448) suggest that the practice of international migration may present a profitable business model in which migration is actually ‘a system of institutionalised networks with complex profit and loss accounts, including a set of institutions, agents and individuals, each of which stands to make a commercial gain’. Under this model international migration is comprised of three stages in which an intermediary (such as a temporary staffing agency could play a role, ‘mobilization (sales, transport provision, provision of forged documentation and enforcement), facilitation (transportation and bribery of immigration offices) and the arrangement of accommodation and employment in receiving country’ (Coe et al., 2010:1066). This acts as an indicator of the potential roles in which temporary staffing agencies (and other labour market intermediaries) may play in international migration.

2.5 Synthesis and research questions

This chapter has provided a critical review of the literatures which focus on understanding national economic and social systems, the importance of labour markets and labour market intermediaries, in particular, the temporary staffing industry (TSI). Through discussion of different approaches to the study of national economic systems from a range of disciplines, it has highlighted the advantage of studying phenomena at the national level, but also important elements of national systems, particularly institutions. It has been argued that, while flawed, the VoC approach can be a useful tool to identify different categories of countries and institutions which can affect the performance of a
national system. This section goes further, seeking to conceptualise a national temporary staffing industry and outline the approach used in this thesis.

2.5.1 Conceptualising national temporary staffing industries

The discussions that have developed in a growing body of literature on the TSI place agencies at the centre of the analysis; however, they fail to sufficiently explore the wider institutional arrangements which may impact on the actions of these agencies. According to Coe et al. (2009a) and Peck and Theodore (2007a), the TSI is not a neutral actor in the wider labour system, it is involved in a series of complex and sometimes interdependent relationships, in which it is an active agent of market creation. Furthermore, it is argued that the presence of agencies in the labour market has ‘system wide consequences’ (Coe et al., 2009b:60), and that different connections will occur between different actors in the industry (Peck and Theodore, 2002; Ward, 2003).

While studies of temporary staffing in different countries have begun to emerge, research addressing the institutional arrangements which affect the overall form and function of the industry, in particular national contexts, has not yet been sufficiently developed. Coe et al. (2009a) developed a conceptualisation of a national temporary staffing industry, identifying important actors, in relation to a discussion of the Australian temporary staffing industry. This conceptualisation acknowledges the ‘dialectical processes through which temporary staffing markets, national, and regional industrial relations systems and transnational corporate strategies, among others, co-evolve in a continent and complex manner’ (Coe et al., 2009a: 58). This suggests there are a multitude of actors and interactions which create distinctive national markets for temporary staffing (see Figure 2.10).

First, there are combinations of regulations on temporary staffing agencies, as well as mainstream employment. This is accompanied by forms of welfare provision and state employment services - collectively termed here the multi-scalar state. Second, activities of the national and international trade bodies are key to development of the industry though processes of lobbying at national and international scales. Third, activities of trade unions, and trade union confederations can influence the expansion of the temporary staffing industry. Fourth, the activities of domestic temporary staffing agencies are key in terms of their ability to maintain a position in the labour market, despite pressures from transnational agencies. Fifth, the activities of transnational temporary staffing agencies are important in terms of their ability to expand, despite the presence of domestic agencies. The final components are the composition of the economy, and wider labour market, and the influence this has on the activities of the temporary staffing industry.
Arrows in the diagram represent a relationship or interaction; some arrows may represent more than one form of interaction. Coe et al. (2009a) argue that the global temporary staffing industry is in reality a 'mosaic' of distinctive national market formations, comprised of arrangements of these key actors. The approach in this thesis understands national temporary industries to be defined by a complex network of relationships between institutions which create a distinct form of the TSI; in particular, this thesis seeks to understand three of these mosaic tiles. This thesis makes a further contribution to this framework by not only exploring the presence of particular (and in some cases different) institutions in a variety of national contexts, highlighting that it is a series of interrelationships and interdependencies between institutions which constitute a national temporary staffing system.

Section 2.2 examined different approaches to explaining national difference, arguing that while national systems may display similarities they should be considered for their individual features. As such, research should consider variegated national systems rather than varieties. The range of approaches examined in this chapter defends moving beyond simple identification of different types of national economic systems, which reveal little about the nature, evolution and role of the systems. This thesis argues that there is widespread diversity in the structure and form of the TSI, that can be revealed through exploring interrelationships between actors. Even where similar institutions exist in each country, the nature of the relationships between them may be different.
Drawing from Hamilton (1999:4) this research argues that a different perspective for looking at different types of capitalism should be adopted where 'instead of equating it with 'national economies, capitalism is best conceptualised in terms of the organised economic activities and institutional conditions that constitute it, and countries are best conceptualised as locations where specific activities occur'. As Block (2002:224) has pointed out, 'it is not enough to say that capitalism is a constructed system. The task is to illuminate how it is constructed; to see how a diverse and often contradictory set of practices are welded together to produce something that has the appearance of being a natural and unified entity'. Institutions and their arrangements lie at the heart of this thesis. A common set of 'institutions' feature in these works, consisting of industrial relations, corporate governance, firms, social protection regulation and training systems, and the rules governing them (Becker, 2009). In considering this institutional variation, and taking inspiration from Peck and Theodore (2007b), it is more appropriate to consider the variegated nature of national systems rather than explore variety in the sense used by Hall and Soskice (2001a). Consequently, this thesis seeks to explore nationally specific formations of the temporary staffing industry embedded in wider institutional contexts.

Before moving to the specifics of this research several key points from this chapter should be reiterated. First, while flawed, the VoC approach presents the most appropriate conceptual starting point for this research. The review of approaches to national systems highlights the importance of considering the national scale for the object of study. The prominence of the nation state guides the research to focus at the national level, while also providing a series of analytical categories with which to draw cases from. The concept of institutional complementarity remains key, as institutional arrangements will define the form, structure and role of the TSI in different contexts. The VoC approach constitutes a foundation upon which the research objectives can be addressed. The TSI comprises a wide variety of actors, embedded in different institutional, political, economic and social environments, and sporting different roles and interrelationships. The collective activities of these actors result in differentiated temporary staffing industries. The chapter has argued that a combination of approaches needs to be incorporated to form an approach for researching national temporary staffing industries, and demonstrated the importance of accounting for significant variety, beyond those already present in the literature to reflect the changing nature of development in Europe.

Second, such analyses from comparative studies of capitalist systems suggest a number of ways of conceptualising the key characteristics of systems of economic coordination. This would assist identification of the crucial way in which economies vary and how particular institutional features can explain these variations. Given that the 'varieties of capitalism' approach is not flawless, and has a range of areas which could be addressed
both empirically and theoretically for the framework to be more suitable to account for national economic difference, the chapter has displayed how this thesis can provide additional comment with respect to post-socialist countries which are not generally considered. Therefore, while this thesis focuses first and foremost on the role of the TSI in different political-economic contexts, it can also comment on the importance of incorporating other geographical areas into the 'varieties of capitalism' framework, and therefore pay more attention to the variety of capitalism present across the globe rather than just those in developed nations. The chapter identified limitations of theorisations developed from perspectives around the 'varieties of capitalism' approach, yet finds that it provides a broad platform with which to base a piece of research based on national institutional difference. The chapter attempted to enhance existing theorisations of 'varieties of capitalism' approach by providing a critique and outlining how this research will build on existing theorisations and extend these to focus on one particular form of system within the wider economic landscape: the temporary staffing industry. A geographical approach, which takes into account the variegated nature of institutions, is capable of enquiring into the wider range of institutional arrangements present and the spatially differentiated nature of these systems. This approach represents a suitable base from which to explore the existence of national TSIs in more depth.

Third, it must be recognised that while labour market intermediaries (LMIs) as a component of the labour market have received some attention, particularly within the US context at a regional scale, there is a shortage of research which addresses LMIs at the national scale. The contribution of scholars to the understanding of the TSI has been outlined, highlighting why temporary staffing agencies are used. Fourth, discussions of the influence of temporary staffing agencies and other actors on the growth and shape of the TSI have also been discussed, with particular conceptualisations of the actions of temporary staffing agencies which have informed this study. Temporary staffing agencies represent one specific form of LMI which has received some attention in terms of identifying growth dynamics, the actions of agencies and the motivations for the use of temporary staffing agencies by client firms and workers. However, the specific institutional arrangements in which the TSI is embedded, or the wider role and function of the TSI in specific political-economic contexts, has yet to be addressed. The phenomenon of a national TSI has yet to receive sufficient attention, and it is these research lacunae which this thesis addresses.

By combining the approaches to the study of national systems, a consideration of national labour markets and the conceptualisations of the TSI it has been possible to construct an approach that is sensitive to specific national institutional arrangements which impact on one aspect of the wider national economic system - the national temporary staffing
industry. It should be recognised that each national TSI will be different, in form and function as a result of the presence or absence of particular institutional relationships. Simultaneously, the chapter has highlighted the ways in which the conceptualisations of temporary staffing can be used to research particular national formations. The combination of VoC, approaches to labour and conceptualisations of the TSI provide a suitable framework with which to research distinctive national formations of the TSI. Through the development of the concept of national temporary staffing industries it should be possible to develop a greater understanding of the institutional arrangements which constitute them, and the relationships between actors which shape their development.

More specifically this thesis aims to make a theoretical contribution to the study of national systems, in particular variegated capitalisms by highlighting the ways in which labour market intermediaries, in particularly temporary staffing agencies, have sought to integrate themselves into labour markets. This contributes to a discussion of the expansion of the role of intermediaries in 21st century labour markets, and the extent to which they have become an important institution in such labour markets. In addition the thesis seeks to highlight the key interrelationships between the TSI and labour market institutions which contributes to a greater understanding of the role of intermediaries, but also the flexibilisation of employment in different national contexts. An element of this explores the efforts of the private sector to take on functions traditionally associated with the state in order to understand the extent to which labour markets are developing a public role for the private sector. A further contribution of this thesis is to highlight how processes of change in labour markets are not necessarily causing development towards a common neoliberal model. Even when elements of national systems may exhibit features of convergence, such are regulation, the system may more widely be cementing its own individual national formation. While labour markets may be considered to be transforming into a Post-Fordist form, their features may not be uniform across different national systems.

2.5.2 Research questions

To conclude this analysis of theoretical discussion of national systems and conceptualisations of the TSI, the specifics of this research are now outlined. The broad objective of this research was to consider the wider role of the TSI in different political-economic systems in Europe. The research focused on developing knowledge of how the TSI interacted in different institutional environments, but how it can be positioned within particular national contexts. In order to address this objective five research questions were constructed:
1. What is the role of the temporary staffing industry in three contrasting political economic contexts?

2. What are the interactions and interdependencies between temporary staffing agencies and other public and private sector intermediaries in different national contexts?

3. To what extent are activities undertaken by agencies, such as where types of workers are placed and in what sectors, shaped by national context?

4. To what extent does the temporary staffing industry act as an active agent of labour market change in different contexts, and in what ways?

5. To what extent are there convergence tendencies between temporary labour systems in different national contexts?

With these research questions in mind, the following chapter explores the characteristics of the TSI in Europe, providing a background context for the research and justifying the choice of case studies used in this thesis.
3 An overview of the temporary staffing industry in Europe

3.1 Introduction

In order to provide a background context for the case studies explored in this thesis the chapter focuses on the temporary staffing industry (TSI) across Europe. The global TSI reached revenues of €203 billion in 2010, of which Europe accounted for just over 40%, making it the largest regional market for temporary staffing (Ciett, 2012). Within this region, significant variation exists in the size, form and activities of the TSI; for example the number of temporary agency workers in 2010 ranged from 800,000 in the UK to only 2,110 in Lithuania (Ciett, 2012). To develop an awareness of the variety of forms of the TSI and the institutional context in which they have developed, an examination of the wider European labour market conditions is necessary.

Section 3.2 outlines patterns of labour market change which took place in Europe since the 1970s. Section 3.3 then explores European employment policy, in particular the importance of flexicurity, viewed by the European Commission (EC) as a strategy to ensure flexibility in the labour market for employers while ensuring some level of security for workers (Burroni and Keune, 2011). Section 3.4 then charts the development and expansion of the TSI, examining the number of agencies, workers and sectoral distribution, highlighting the diversity of the industry across the continent. Regulation, as a key component of the TSI, was heralded as both the key to expansion, but also a constraint on growth in different markets (Coe et al., 2008). A dual nature of regulation exists for the TSI, whereby it must adhere to wider labour market regulation, but also to specific regulations for temporary agency work (TAW). Developments in regulations relevant for the TSI are outlined in Section 3.5. This chapter provides an insight into the European context within which the empirical research was based. Using the theoretical arguments concerning different political-economic systems discussed in Chapter 2, combined with empirical data related to temporary staffing in Europe, Section 3.6 provides an introduction to, and justification for, the three case study countries which comprise the main focus of analysis – the UK, Germany and the Czech Republic.

3.2 Overview of changes in European labour markets

Since the 1970s Europe's labour markets have continued to experience significant changes, due to fluctuating economic patterns and productivity levels (Becker and Gordon, 2008). Simultaneously, Europe has faced a variety of issues that has affected its workforce, such as: changing demographics, widespread skill shortages and high levels of the long-term unemployed (EC, 2007). Demographic changes across the globe place pressure on labour markets and are creating the need for greater utilisation of available
labour power (Eurofound, 2010). Europe faces the challenge of an ageing society caused by persistently low fertility rates, increasing life expectancy, and a baby boom generation that would soon reach retirement age (EC, 2007). Policy-makers have been forced to consider ways to create more flexible working opportunities that could encourage wider participation within the labour market – with temporary agency work (TAW) as one option (Withagen and Tros, 2004).

While an ageing population would increase the dependent population, a more immediate issue faced European labour markets: growing shortages of appropriately skilled workers (EC, 2010e). The European Commission (EC) highlighted in 2010 that Europe lacked 20 million skilled workers and the shortages were expected to worsen. Workers were not being trained at a fast enough rate to fill the predicted 16 million additional skilled jobs expected to be available by 2020 (EC, 2010e). Despite the shortage in skilled workers, Europe was not short of available workers more generally, with 22.9 million people unemployed in the EU in 2009 (EC, 2010b).

Examining employment change in Europe from the 1970s to 2009 reveals that while the unemployment rate gradually grew it fluctuated greatly. From the beginning of the 1970s until the mid-1980s continuous rises in the level of unemployment were fuelled by recessions (Cameron, 2001). However, between 1985 and 1990 a fall of 1.8 percentage points to 8.2% for the European average was experienced as labour markets recovered and a growth in jobs ensued (see Figure 3.1).

Figure 3.1: Key European labour market indicators

![Figure 3.1: Key European labour market indicators](source: Eurostat (2011)).
The hiatus was short-lived, however, and the unemployment rate rose again to a new high of 10.8% in 1994 (Eurostat, 2011). The mid-1990s marked the start of another period of decline in unemployment, with only slight rises at the beginning of the 2000s. Between 2008 and 2010 the unemployment rate increased again due to the onset of the financial crisis, rising to 9.6% by 2010, almost 8 percentage points higher than in 1970 (Eurostat, 2011). In comparison, the labour force participation rate for Europe during the same period experienced more or less continuous growth, with only slight decreases, the greatest of which reached only -0.7 of a percentage point (between 1992-3) (see Figure 3.1). The implications of this were that an increasing number of people were available in the labour market, and in a period of increasing unemployment, there was even more need for institutions to assist the population into employment. While these aggregate figures highlight the broad changes throughout Europe, significant variation was experienced across the continent. Examining data for individual countries in Europe reveals more detailed patterns of employment change (see Table 3.1). As less data was available for the 1970s and 1980s this analysis focuses on the period since 1990.

Table 3.1: Employment rates in Europe, 1970-2010

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
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<td>67.4</td>
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</tbody>
</table>

na: not available

Considering the period from 1990-2000, several features stand out: the greatest fall in employment was experienced in Estonia (8.9 percentage points); significant decline was also experienced across Scandinavia; the greatest rises in employment were felt in the Netherlands (8.2) and Ireland with 8.2 and 7.7 percentage point increases respectively. For the period 2000-2010 declines in employment were felt across Central and Eastern Europe, though not as pronounced as the previous decade (e.g. -1.2 percentage points in the Czech Republic). Strong growth in employment was experienced in Spain and
Germany with increases of 7.8 and 6.1 percentage points respectively. Other countries, for example the UK, experienced relatively little change falling from 79.1 to 78.4% across the 1990-2010 time period. Unsurprisingly, examining the unemployment rate for the same period reveals similar patterns (see Table 3.2).

### Table 3.2: Unemployment rates in Europe, 1970-2010

<table>
<thead>
<tr>
<th></th>
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<tr>
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<td>4.5</td>
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<td>5.9</td>
<td>8.2</td>
<td>8.6</td>
<td>9.6</td>
</tr>
</tbody>
</table>

na: not available


Between 1990 and 2000 the greatest increases in unemployment were experienced in Estonia (+12.9) and Finland (+6.6), while the greatest reductions were experienced in Ireland (-8.5) and the Netherlands (-4.4). The time period 2000-2010 reveals a decline in unemployment in Central and Eastern Europe, as Poland experienced a drop of 6.4 percentage points and Slovakia by 4.4. This decade witnessed a complete turnaround for Ireland which experienced an increase by 9.1 percentage points. Once again the UK, in comparison to elsewhere in Europe, experienced relatively little change with an increase of only one percentage point over the 1990-2010 time period.

Having considered the longer term trends of labour market change, the 2008-2010 period is examined more closely, to consider the implications of the worst financial crisis since the 1930s, with widespread effects across European economies. The impact of the crisis on European labour markets was more pronounced in 2009 when the crisis wiped out much of the reductions in unemployment from the previous decade (EC, 2010b). The economic downturn, and its impact on employment, was not homogeneous across the EU, as displayed in Figure 3.2.
Employment losses were particularly severe in Spain (-9%), the Baltic States (Estonia -15%, Latvia -19%, and Lithuania -13%) and Ireland (-12%), reflecting sharp declines in economic activity. In contrast, Luxembourg and Poland continued to experience employment and economic growth while other countries, including Belgium, Austria, the United Kingdom, Sweden, France, the Netherlands and Germany along with the microstates of Malta and Cyprus experienced much less dramatic declines. Various efforts were made by European states as a response to the financial crisis in an attempt to protect their labour markets (see OECD, 2010b) and preliminary figures for 2010-11 indicated the strength of the recession weakened towards the end of 2009, and that some growth was experienced in 2010-2011. Despite this, by 2010 there were 12.5 million more people in employment than in 2009, an increase of 6% (EC, 2010b).

These figures illustrate the changing nature of employment in Europe over several decades, and more importantly in the years when the temporary staffing industry (TSI) experienced its greatest expansion - which for many countries began in the mid-1990s (Coe et al., 2007a). A time of declining employment, and increasing unemployment, coupled with financial austerity was viewed by the TSI as an opportunity to pursue greater involvement in the labour market, offering solutions to address some of the employment challenges faced by countries: acting as a stepping stone to employment (Kvasnicka, 2005; Jahn and Rosholm, 2010), or as an entry point to the labour market for some members of society (Autor and Houseman, 2002). The TSI exists within a wider labour market, governed and shaped by a range of national and supranational policies and...
regulations. The next section explores the key aspects of European employment policy relevant for the operation of the TSI.

3.3 European employment policy and the principle of flexicurity

The Lisbon Strategy, established in 2000, was designed to mould the European Union (EU) into the most competitive economy in the world, and its re-launch after a 2005 mid-term review focused more specifically on economic growth and employment (European Parliament, 2000). Its primary aim was to develop a European economy capable of sustainable economic growth with more (and better) jobs, combined with greater social cohesion. Specifically, for employment it stated that economic policies should attempt to raise the general employment rate to 70% and women's employment rate to 60% by 2010 (European Parliament, 2000). In early 2010, the European Commission (EC) launched a new strategy – EU 2020 (EC, 2010a) – designed not only to support a full recovery from the financial crisis but also to address Europe’s structural challenges: globalisation, climate change and an ageing population (EC, 2010d). One of the five main target areas for this strategy focused on employment, stating that 75% of 20-64 years olds should be employed by 2020 (EC, 2010a). The EU thought that this target could be achieved through the greater participation of youth, older workers, and low skilled workers, i.e. those considered to be on the margins of the labour market, and those who experienced the lowest participation rates (EC, 2010a).

While this European employment agenda was a driving force for many of the changes to employment policy, one particular aspect was important for the temporary staffing industry (TSI): flexicurity. This represents a configuration of labour market policies designed to complement labour market flexibility and security, whereby flexibility and security should be seen as mutually supportive labour market components (Burroni and Keune, 2011). In an environment with rapid technical progress and frequently changing labour market conditions, employers needed to manage their labour force flexibly. In order to achieve this flexibility without creating an unbearable situation for employees, security refers to the provision of welfare for workers (Viebrock and Clasen, 2009). In line with the Lisbon Agenda, flexicurity was designed as a central strategy for enhancing Europe’s economic growth and social cohesion (Boeri et al., 2007;EC, 2006; EC 2007), and a central concept in the EU 2020 strategy (EC, 2010a). The concept was introduced at the EC policy level in 1993 (EC, 1993), however the EU did not adopt it as a central policy concept until 2006. The EU then promoted the ‘Mission for Flexicurity’ as an official labour market policy, and the Common Principles for Flexicurity were established (see Figure 3.3) (Madsen, 2004; Withagen and Tros, 2004; CEC, 2006; CEP, 2007; Viebrock and Clasen, 2009; Burroni and Keune, 2011).
Figure 3.3: The common principles of flexicurity

Summary of Common Principles:

1. To reinforce the implementation of the Lisbon Strategy, create more and better jobs, modernise labour markets, and promote good work through new forms of flexibility and security to increase adaptability, employment and social cohesion.

2. Reinforce combination of flexible and reliable contractual arrangements, comprehensive lifelong learning strategies, effective active labour market policies, and modern, adequate and sustainable social protection systems.

3. Approaches should be tailored to the specific circumstances of each member state. Progress should be effectively monitored.

4. Promote more open, responsive and inclusive labour markets overcoming segmentation. The inactive, the unemployed, those in un-declared work, in unstable employment, or at the margins of the labour market need to be provided with better opportunities, economic incentives and supportive measures for easier access to work. Support should be available to all those in employment to remain employable, progress and manage transitions both in work and between jobs.

5. Sufficient contractual flexibility must be accompanied by secure transitions from job to job. Upward mobility needs to be facilitated, as well as between unemployment or inactivity and work. Social protection should provide incentives and support for job transitions and for access to new employment.

6. Support gender equality, promote equal access to quality employment for women and men and offering measures to reconcile work, family and private life.

7. Involve a dialogue among all stakeholders, where all are prepared to take the responsibility for change with a view to socially balanced policies. While public authorities retain an overall responsibility, the involvement of social partners in the design and implementation of flexicurity policies through social dialogue and collective bargaining is of crucial importance.

8. Allocation of resources should remain fully compatible with sound and financially sustainable public budgets. It should also aim at a fair distribution of costs and benefits, especially between businesses, public authorities and individuals.

Source: CEP (2007).

The flexicurity model includes a strong emphasis on active labour market policies, establishing lifelong learning and training of workers, improving support to job-seekers, and supporting equal opportunities for all. Flexicurity, for the EC, represented much more than a single national model (Withagen and Tros, 2004); there were many ways of combining different forms of flexible working arrangements with different forms of security. The two examples most frequently discussed are those of Denmark and the Netherlands.

The Danish model of flexicurity was built on the combination of flexible labour markets, generous unemployment benefits and a strong emphasis on activation (Madsen, 2004); a combination known as the ‘golden triangle’ (Bekker et al., 2008). The Dutch flexicurity model remains more centred on combining non-standard work, such as temporary agency work (TAW) and part-time work, with regular social security rights through the Flexibility and Security Act of 1999 (Viebrock and Clasen, 2009). What these had in common were attempts to increase flexibility by encouraging a greater range of employment options. The TSI was keen to promote itself as one of these options (Ciett, 2007b). The common principles were transformed into four policy components: developing flexible and reliable contractual arrangements; establishing comprehensive lifelong strategies; developing effective active labour market policies; and securing modern social security systems. In 2007, the EC endorsed a series of pathways (see Table 3.3) to increase flexicurity arrangements, suggesting different routes for countries to take to improve their labour market, depending on the different challenges and priorities (CEP, 2007).
Table 3.3: Flexicurity pathways

<table>
<thead>
<tr>
<th>Pathway</th>
<th>Relevance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pathway 1: Tackling contractual segmentation</td>
<td>Of interest to countries where the key challenge is segmented labour markets, this pathway would aim to distribute flexibility and security more evenly across the workforce. It would provide entry ports into employment for newcomers and it would promote their progress into better contractual arrangements.</td>
</tr>
<tr>
<td>Pathway 2: Developing flexicurity within enterprises and offering transition security</td>
<td>Of interest to countries with relatively low job-flows. It would increase investment in employability to allow workers within enterprises to continuously update their capabilities and thus be better prepared for future changes in the organisation of work.</td>
</tr>
<tr>
<td>Pathway 3: Tackling skills and opportunity gaps among the workforce</td>
<td>Of interest to countries where the key challenge is addressing large skills and opportunity gaps among the population. It would promote opportunities of low-skilled people to enter into employment and develop their skills in order to obtain a sustainable position at the labour market.</td>
</tr>
<tr>
<td>Pathway 4: Improving opportunities for benefit recipients and informally employed workers</td>
<td>Of interest to countries that have experienced substantive economic restructuring in the recent past, resulting in high numbers of people on long-term benefits with difficult perspectives of returning to the labour market.</td>
</tr>
</tbody>
</table>

Source: developed from Voss and Dornelas (2011).

Despite the optimism surrounding the flexicurity concept from EU institutions and the trade associations representing the TSI (Ciett, 2007b), there were reservations over its ability to improve labour market conditions, particularly from trade unions (ETUC, 2007). There was little homogeneity in how it translated into employment and social welfare policies in particular countries (Jorgensen and Madsen, 2007). The establishment of flexicurity pathways suggested systems should be converging towards one common model (see Table 3.3). Considering the diversity that continues to exist in Europe, one of the greatest challenges for making flexicurity work has been the equal application of the principles across the continent. An attempt to map the state of flexicurity across Europe in 2006 identified five clusters of flexicurity (see Table 3.4). The clusters were determined using measurements of flexibility and security, identifying categories similar to those in discussions of varieties of capitalism (VoC) (Hall and Soskice, 2001a) and national systems of production (Boyer and Hollingsworth, 1997).

Table 3.4: Flexicurity clusters in Europe

<table>
<thead>
<tr>
<th>System</th>
<th>Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anglo-Saxon</td>
<td>Including UK and Ireland, characterised by a high degree of flexibility (i.e. looser employment protection legislation) and relatively low security as well as low taxation.</td>
</tr>
<tr>
<td>Continental</td>
<td>Including Germany, Belgium, Austria and France characterised by intermediate-to-low flexibility, intermediate-to high security, and intermediate-to high taxation.</td>
</tr>
<tr>
<td>Mediterranean</td>
<td>Including Spain, Portugal and Greece with low flexibility, relatively low security, and no clear pattern on taxation.</td>
</tr>
<tr>
<td>Eastern European (plus Italy)</td>
<td>Including Italy, Poland, Hungary, Czech Republic, and Slovakia characterised by insecurity, intermediate-to-high flexibility and intermediate-to high taxation.</td>
</tr>
<tr>
<td>Nordic</td>
<td>Including Denmark, the Netherlands, Sweden and Finland characterised by high security, intermediate-to-high flexibility, and intermediate-to high taxation.</td>
</tr>
</tbody>
</table>

Source: EC (2010b).

The EC emphasised the role played by ‘flexicurity related measures’ in facilitating businesses to recover from the crisis, return to growth and maintain higher levels of employment (Council of the European Union, 2009). A range of measures were
introduced by national governments – a mixture of subsidies, short time work schemes, training and other active labour market policies – indicating the levels of response from governments to ensure the stability of their labour markets, and ensure minimised reductions in employment, while making more employment and welfare options available (see EC, 2010c). For the TSI this presented a new range of institutional features to navigate. The European Taskforce – a committee of European leaders chaired by Wim Kok (head of the review of the Lisbon strategy) – advocated the use of temporary staffing agencies as a mechanism to support flexicurity (Employment Taskforce, 2003:30). The European trade body for the TSI, Eurociett, adopted flexicurity as a central concept in its lobbying and promoted activities, claiming that temporary staffing agencies were ‘at the heart of flexicurity’ (Ciett, 2007b: 3), making recommendations on how to implement it as a policy, primarily:

‘Temporary staffing agencies should be promoted as an appropriate method to implement a flexicurity approach in the labour market. Unjustified obstacles to the use of temporary agency work should be removed e.g. sectoral restrictions. The temporary staffing industry should not be discriminated against in favour of other forms of flexible employment. The EU should promote the ratification of ILO Convention 181 to ensure guidelines are implemented as a common standard across European members’ (Ciett: 2007b: 11).

Having considered the wider employment patterns and policy objectives in Europe, the following section outlines the characteristics of the TSI and its development in the region.

3.4 Charting the development and features of the temporary staffing industry in Europe

The section begins with an examination of the temporary agency work (TAW) penetration rate to highlight the extent of this employment form in Europe compared to the overall labour market, before moving on to consider temporary staffing agencies, and the temporary staffing workforce, in more detail. The penetration rate indicates the overall prevalence of TAW as part of the total population in employment. Figure 3.4 displays the penetration rate for European countries from 1996-2010; the European average experienced gradual growth, reaching a peak of 2.0% in 2007, before falling to 1.5% by 2010. This reduction is likely to have been largely a result of a widespread economic downturn due to the financial crisis which began in 2008. Several notable features can be viewed in Figure 3.4. First, that many countries did not experience a higher penetration rate than 2.5%. Second, that the UK stands out as a leader in terms of the prevalence of TAW, reaching a peak of 4.7% in 2007, before falling to 3.0% in 2010). Third, the emergence of the temporary staffing industry (TSI) in many countries from 2003 onwards is clearly visible, most notably in Poland, Greece and Italy. Examining a snapshot of the TAW penetration rate in 2010 (see Figure 3.5) displays the variation that remained across Europe.
Clear differences existed in the extent of temporary staffing industry TSI expansion. Eleven countries were above the European average of 1.5%: Austria, Belgium, France, Germany, Hungary, Ireland, Luxembourg, Netherlands, Portugal, Switzerland and the UK.
while many others remained below 1%. This rate would have been partly affected by the regulations in place, as well as the extent to which temporary staffing agencies had developed a presence; this issue forms the focus of the next section.

### 3.4.1 Temporary staffing agencies

In 2010 Europe accounted for 26% of all temporary staffing agencies in the world (Ciett, 2012). From the mid-1990s to 2010 the TSI in Europe experienced substantial growth overall in terms of the number of agencies, despite a downturn towards the end of the 2000s. Table 3.5 reveals several key developments in the number of temporary staffing agencies in Europe.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>5,000</td>
<td>10,500</td>
<td>11,494</td>
<td>11,500</td>
<td>130.0</td>
<td>0.1</td>
</tr>
<tr>
<td>Germany</td>
<td>2,500</td>
<td>5,058</td>
<td>9,465</td>
<td>6,049</td>
<td>142.0</td>
<td>-36.1</td>
</tr>
<tr>
<td>Netherlands</td>
<td>400</td>
<td>2,100</td>
<td>3,280</td>
<td>3,260</td>
<td>715.0</td>
<td>-0.6</td>
</tr>
<tr>
<td>Poland</td>
<td>na</td>
<td>na</td>
<td>2,166</td>
<td>2,998</td>
<td>na</td>
<td>38.4</td>
</tr>
<tr>
<td>Denmark</td>
<td>88</td>
<td>1,144</td>
<td>1,064</td>
<td>1,347</td>
<td>1430.7</td>
<td>26.6</td>
</tr>
<tr>
<td>Austria</td>
<td>361</td>
<td>410</td>
<td>700</td>
<td>1,200</td>
<td>232.4</td>
<td>71.4</td>
</tr>
<tr>
<td>France</td>
<td>850</td>
<td>1,200</td>
<td>1,200</td>
<td>1,200</td>
<td>41.2</td>
<td>0</td>
</tr>
<tr>
<td>Hungary</td>
<td>na</td>
<td>na</td>
<td>757</td>
<td>667</td>
<td>na</td>
<td>-11.9</td>
</tr>
<tr>
<td>Norway</td>
<td>na</td>
<td>na</td>
<td>400</td>
<td>600</td>
<td>na</td>
<td>50.0</td>
</tr>
<tr>
<td>Sweden</td>
<td>400</td>
<td>480</td>
<td>620</td>
<td>500</td>
<td>25.0</td>
<td>-19.4</td>
</tr>
<tr>
<td>Finland</td>
<td>na</td>
<td>na</td>
<td>400</td>
<td>450</td>
<td>na</td>
<td>12.5</td>
</tr>
<tr>
<td>Spain</td>
<td>345</td>
<td>430</td>
<td>363</td>
<td>350</td>
<td>1.4</td>
<td>-3.6</td>
</tr>
<tr>
<td>Slovenia</td>
<td>na</td>
<td>na</td>
<td>73</td>
<td>355</td>
<td>na</td>
<td>386.3</td>
</tr>
<tr>
<td>Portugal</td>
<td>210</td>
<td>270</td>
<td>265</td>
<td>265</td>
<td>26.2</td>
<td>0</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>na</td>
<td>na</td>
<td>198</td>
<td>215</td>
<td>na</td>
<td>8.5</td>
</tr>
<tr>
<td>Belgium</td>
<td>92</td>
<td>131</td>
<td>141</td>
<td>142</td>
<td>54.3</td>
<td>0.7</td>
</tr>
<tr>
<td>Romania</td>
<td>na</td>
<td>na</td>
<td>142</td>
<td>129</td>
<td>na</td>
<td>-9.2</td>
</tr>
<tr>
<td>Italy</td>
<td>na</td>
<td>90</td>
<td>87</td>
<td>70</td>
<td>na</td>
<td>-19.5</td>
</tr>
<tr>
<td>Greece</td>
<td>na</td>
<td>na</td>
<td>8</td>
<td>9</td>
<td>na</td>
<td>12.5</td>
</tr>
</tbody>
</table>

na: not available
Source: Based on data from Ciett (2007a, 2012).

First, by 2010 a greater number of countries displayed a presence of temporary staffing agencies suggesting significant industry expansion. Second, the turning point occurred in the mid-2000s following the removal of restrictions on TAW in many countries, the legalisation of TAW in some countries, and the emergence of many agencies as a consequence (see Appendix 3 for changing regulations), for example in the Czech Republic, Italy, Hungary, Slovakia, Turkey, Poland, Romania, Slovenia, Macedonia and Greece, albeit at different rates. Third, the greatest levels of change were experienced in some of the more established markets such as Denmark (1430.7% increase), and the Netherlands (715% increase), albeit from low initial levels in both cases. These patterns
could be explained by expansion of the TSI into different sectors of the economy (Ward, 2004), and growing demand from client firms seeking to hire temporary agency workers (Golden and Appelbaum, 1992). In addition, the number of temporary staffing agency branches in Europe increased 58% between 1996 and 2010, signalling significant growth of the TSI across the continent. Much of this growth was experienced in the 2006-2008 period where the number of temporary staffing agency branches increased by 28% (see Table 3.6).

Table 3.6: Number of temporary staffing agency branches in Europe, 1996-2010

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>700</td>
<td>1,442</td>
<td>1,500</td>
<td>114.3</td>
<td>1.3</td>
</tr>
<tr>
<td>Belgium</td>
<td>686</td>
<td>1,184</td>
<td>1,228</td>
<td>79.0</td>
<td>8.6</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>na</td>
<td>na</td>
<td>2,069</td>
<td>na</td>
<td>1.3</td>
</tr>
<tr>
<td>France</td>
<td>4,000</td>
<td>6,500</td>
<td>6,400</td>
<td>60.0</td>
<td>5.3</td>
</tr>
<tr>
<td>Germany</td>
<td>3,760</td>
<td>12,867</td>
<td>4,177</td>
<td>11.1</td>
<td>0.7</td>
</tr>
<tr>
<td>Greece</td>
<td>na</td>
<td>na</td>
<td>17</td>
<td>na</td>
<td>1.9</td>
</tr>
<tr>
<td>Hungary</td>
<td>na</td>
<td>na</td>
<td>977</td>
<td>na</td>
<td>1.5</td>
</tr>
<tr>
<td>Italy</td>
<td>-</td>
<td>2,400</td>
<td>2,600</td>
<td>na</td>
<td>37.1</td>
</tr>
<tr>
<td>Netherlands</td>
<td>2,700</td>
<td>5,100</td>
<td>5,267</td>
<td>95.1</td>
<td>1.6</td>
</tr>
<tr>
<td>Norway</td>
<td>100</td>
<td>730</td>
<td>800</td>
<td>700.0</td>
<td>1.3</td>
</tr>
<tr>
<td>Portugal</td>
<td>300</td>
<td>450</td>
<td>450</td>
<td>50.0</td>
<td>1.7</td>
</tr>
<tr>
<td>Romania</td>
<td>na</td>
<td>na</td>
<td>193</td>
<td>na</td>
<td>1.5</td>
</tr>
<tr>
<td>Slovakia</td>
<td>na</td>
<td>na</td>
<td>194</td>
<td>na</td>
<td>1.5</td>
</tr>
<tr>
<td>Slovenia</td>
<td>na</td>
<td>na</td>
<td>465</td>
<td>na</td>
<td>1.3</td>
</tr>
<tr>
<td>Spain</td>
<td>450</td>
<td>1,700</td>
<td>644</td>
<td>43.1</td>
<td>1.8</td>
</tr>
<tr>
<td>Sweden</td>
<td>na</td>
<td>na</td>
<td>850</td>
<td>na</td>
<td>1.7</td>
</tr>
<tr>
<td>UK</td>
<td>9,000</td>
<td>15,970</td>
<td>17,000</td>
<td>88.9</td>
<td>1.5</td>
</tr>
</tbody>
</table>

na: not available
Source: Based on data from Ciett (2007a, 2012).

A large number of branches does not necessarily indicate the largest number of agencies in a country; in some cases large multinationals have extensive branch networks, while others are dominated by mostly single branch agencies. This is best expressed in the branch: agency ratio calculated by Ciett (2012) and also displayed in Table 3.6. Considerable variation existed in the branch: agency ratio across the continent, ranging from 37.1 branches per agency in Italy, to just 0.7 in Germany. The global average in 2009 was three branches per agency (Ciett, 2012). The Italian market was dominated by a small number of large agencies with extensive networks, in contrast to Germany where many agencies had only a single branch. These ratio variations indicate significant variation in the fragmentation of the TSI in Europe (see Ward, 2004; Coe et al., 2007a, 2009b; Peck and Theodore, 2007a for further discussion around fragmentation of the TSI in different markets). Despite such fragmentation of the TSI within some markets, the largest temporary staffing agencies (in terms of revenue) remain largely comprised of transnational agencies (see Table 3.7).
Table 3.7: Top ten temporary staffing agencies in Europe (by revenue), 2010

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Country of Origin</th>
<th>Number of countries located</th>
<th>Annual European Sales Revenue 2010 (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Adecco</td>
<td>Switzerland</td>
<td>28</td>
<td>12,126</td>
</tr>
<tr>
<td>2</td>
<td>Randstad</td>
<td>Germany</td>
<td>19</td>
<td>11,343</td>
</tr>
<tr>
<td>3</td>
<td>Manpower</td>
<td>USA</td>
<td>29</td>
<td>9,281</td>
</tr>
<tr>
<td>4</td>
<td>USG People</td>
<td>Netherlands</td>
<td>12</td>
<td>3,099</td>
</tr>
<tr>
<td>5</td>
<td>Hays</td>
<td>UK</td>
<td>18</td>
<td>1,792</td>
</tr>
<tr>
<td>6</td>
<td>Synergie</td>
<td>France</td>
<td>9</td>
<td>1,207</td>
</tr>
<tr>
<td>7</td>
<td>Groupe CRIT</td>
<td>France</td>
<td>5</td>
<td>1,094</td>
</tr>
<tr>
<td>8</td>
<td>Trenkwalder</td>
<td>Austria</td>
<td>20</td>
<td>1,000</td>
</tr>
<tr>
<td>9</td>
<td>Impellam</td>
<td>UK</td>
<td>2</td>
<td>983</td>
</tr>
<tr>
<td>10</td>
<td>Kelly Services</td>
<td>USA</td>
<td>15</td>
<td>763</td>
</tr>
</tbody>
</table>

Source: Company annual reports.

Table 3.7 displays the top ten temporary staffing agencies in Europe in 2010. Of these agencies, only Kelly Services and Manpower had origins from beyond Europe. The remainder originated from European countries, and displayed an extensive geographical reach, the largest, Adecco and Manpower, were present in 28 and 29 countries respectively. Figure 3.6 explores in more detail the territories for these top agencies, highlighting that many had a significant presence across Europe. Seven of the top ten temporary staffing agencies in Europe were present in the UK – the exceptions being Trenkwalder, USG, and Synergie who appear to concentrate efforts on Central, Eastern and Southern Europe.

Nearly all of the top ten temporary staffing agencies in Europe have a firm presence in the established markets, with a large number of temporary agency workers. The largest temporary staffing agencies covered substantial regions of Europe with only the Impellam Group operating just in the UK and Ireland. It is likely Impellam reached revenues similar to the other top agencies with a much larger geographical reach for two reasons, first, acquisition of a large number of agencies in these regions and second, their focus on professional and technical staffing options with higher profit margins. The TSI displayed growth not only in geographical reach, but also in sophistication as ‘it has evolved from a small-scale service provider, located in a handful of large industrial and major administrative centres, to a near ubiquitous and diversified business sector, offering a variegated package of services in competitive markets’ (Peck and Theodore, 2007a:182). These ‘packages’ include higher value added services providing human resource solutions for their client, for example HR consulting, recruitment staffing and personnel management services, thus reducing their vulnerability to labour market changes (Peck and Theodore, 2002; 2007a).
Figure 3.6: Firm territories for the top 10 temporary staffing agencies in Europe (by revenue), 2010

- Adecco (28 countries)
- Randstad (19 countries)
- Manpower (29 countries)
- USG People (12 countries)
- Hays (18 countries)
- Synergie (9 countries)
Significant expansion of temporary staffing agencies in Europe and their ability to operate in different sectors was facilitated by merger and acquisition, with over 100 deals between companies during 2010 (Company websites). The most significant of these involved Adecco acquiring Spring and MPS; Manpower acquiring Comsys, Blackstone Private Equity and ICE Nursing and Pulse; Allegis acquiring Aston Carter, and Trenkwalder acquiring Droege Capital GmbH (Company websites). The degree of restructuring for the TSI towards a broader geographical and sectoral presence varied across the continent. Furthermore, the extent to which agencies were able to experience growth was, and would continue to be, affected by national labour market and wider institutional conditions.

The TSI has moved somewhat beyond the functions of 'labour substitution' and 'continuous labour mediation' in the process of developing their presence as a legitimate institution in the labour market (Peck and Theodore, 2007a:183). In developing this institutional presence many agencies seek to construct corporate social responsibility programs, policy dialogue and public-private partnerships in order to address a wide range of social issues, including: job creation, transition to work programs, and
encouraging female employment - all priorities of the ILO (ILO, 2003). A pertinent issue for many European labour markets from 2000 onwards was that despite increasing levels of unemployment, shortages of appropriately skilled workers also continued to increase – described by the Economist as a 'Great Mismatch' in the labour market (Economist, 2011a). Manpower, one of the top ten global temporary staffing agencies highlighted the potential role that the TSI could play in the labour market with respect to this shortage:

‘The reality is that our industry spurs job creation; we help people get back to work by matching their skills with the employers who need them...Many of our innovative initiatives are targeted specifically to help individuals who have only limited opportunities to participate in the labor market such as those with disabilities, certain cultural groups and women in some markets, increasing labor market participation. This makes more people employable at a time of worsening talent shortages and provides decent work to those who otherwise would be vulnerable to exploitation via illegal work’ Jeff Joerres, Manpower CEO (Wall Street Journal, 2011).

This role was not only highlighted by agencies, trade associations and trade unions but supranational organisations like the ILO (2009: 26) which suggested that these agencies played an important role 'in the functioning of contemporary labour markets' serving the needs of client firms for increased flexibility. Much like any aspect of the labour market, temporary staffing agencies rely on a sufficient supply of labour, and the next sub-section outlines characteristics of a further key component of the TSI, the temporary agency workforce.

### 3.4.2 Temporary agency workers

In 2010 Europe accounted for 35% of the global total of temporary agency workers (10.4 million full time equivalents - FTE). Across Europe since the end of the 1990s a dramatic increase in the number of workers engaged in TAW was experienced (see Table 3.8). This increase was driven by temporary staffing agency expansion into new markets responding to deregulations in many labour markets (this issue will be explored in Section 3.5). While this time period witnessed overall positive levels of growth, there were considerable reductions in the number of temporary agency workers after the onset of the financial crisis. Given the cyclical nature of the TSI (Theodore and Peck, 2002) this was not the first time a reduction had been experienced and temporary staffing agencies were prepared to benefit from the upswing of employment following a recession (see Peck and Theodore, 2007a). Temporary agency workers were disproportionately affected by job cuts during the 2008-9 recession, although levels still remained significantly higher by 2010 than they had been at the beginning of the millennium. By 2010, there was a wide variation in the number of temporary agency workers in countries across Europe, with the highest levels remaining in the most established markets of UK, France, Germany and the Netherlands.
Reflecting the heterogeneity of European economies, the sectoral distribution of temporary agency workers was also varied (see Figure 3.7). A reduction in the use of temporary agency workers in light industry has been experienced in Europe, evidenced by the low levels of manufacturing in several countries (European average 30%) particularly in the UK, Denmark, Luxembourg and Norway. This could be explained by a growth in service sector occupations (Anxo and Storrie, 2000). However, for many other countries, industry and manufacturing remained important sectors for TAW; this was particularly noticeable in Central and Eastern European countries where TAW was predominantly concentrated in manufacturing potentially explained by the continued importance of car manufacturing in these economies. It is important to bear in mind that countries with much smaller numbers of temporary agency workers may have a skewed representation of the sectors. The absence of sectors in some countries may reflect that temporary staffing agencies have yet to move into this part of the economy as was the case in Bulgaria; or that there were restrictions on the use of TAW in particular positions, for example temporary agency workers were not allowed in public administration positions in Spain (Eurofound, 2007).
The gender composition of the temporary agency workforce across Europe is also varied, and is largely affected by the dominant sectors for the TSI in each case (see Vosko et al., 2009). Countries with a high proportion of temporary agency workers in manufacturing and industry, such as Germany and Slovakia generally exhibited a greater proportion of male temporary agency workers (see Figures 3.8). In contrast, the UK had a larger proportion of agency workers in the service sector, and a slightly larger proportion of female temporary agency workers (59%) as a result.

In the majority of European countries, most temporary agency workers were below 30 (around 60%), and in general younger age groups were over-represented compared to the wider labour market (Ciett, 2012) (see Figure 3.9).

**Figure 3.9: Age composition of temporary agency workers in Europe, 2010**

This was partially due to the nature of temporary staffing, which is seen by some as a first point of entry to work after leaving education, gaining experience which may lead to full-time employment, or the only point of entry to the labour market for individuals with a low skill set (Autor and Houseman, 2002). In 2009, the over 45 cohort was significantly larger in some countries than in others, particularly in the more mature markets where agencies were diversifying into more professional services which generally require more experienced professional workers (Ward, 2003). This may explain the significantly larger proportion of temporary agency workers aged 45 and over in the UK (see Figure 3.9). The size and features of the TSI in each country varied across Europe, and one of the greatest influences on this was the level of regulation in place. The following section provides an overview of developments in regulation of the TSI, and how the regulatory landscape changed since the 1990s.

### 3.5 Overview of temporary staffing industry regulation in Europe

The temporary staffing industry (TSI) has emerged in Europe from a range of regulatory conditions, and such continues to be an influencing factor in shaping its development. The TSI is affected by regulation of temporary agency work (TAW), but also regulation of the standard employment relationship; therefore there is a dual nature to regulation of the TSI.
This section focuses on the European regulatory environment for the TSI and on the institutions shaping it as these provide the background context for national regulations to develop.

The national markets of Europe are embedded within a continental context (Block, 2007), and as such there is an element of intervention from European institutions in national state affairs (Hooghe and Marks, 2001). In the literature there are two contrasting viewpoints concerning the role of the European Union (EU) in regulation: first the EU as a regulatory state (Majone, 2006), and second the EU as an agent of neoliberalism (Cerny, 2008). The former argues that the EU is a strong international governance structure where it 'specialises in the making and implementation of regulations: in short, it is a regulatory rather than Westphalian state – an international and increasingly supranational state that specialises in the management and control of international externalities in order to produce greater efficiencies. The making of rules and their broad oversight takes place in Brussels and Luxembourg while the fiscal implications of such regulations are passed onto the member states' (Caporaso and Tarrow, 2009: 601). The latter makes the reverse argument that in fact the EU is shifting policies towards deregulation, privatisation, and the growth of transnational corporations and international capital mobility (Cerny, 2008; see Caporaso and Tarrow, 2009, for a full discussion). EU regulations on the labour market are designed to improve prospects for economic exchange on the continent through removal of barriers to exchange, coordinating different regulatory environments, and harmonising incompatible national regulations (Caporaso and Tarrow, 2009). The viewpoint taken is dependent on the national system and the extent deregulation has already taken place.

3.5.1 Charting changes to temporary staffing industry regulation in Europe

Regulation of the TSI focuses on influencing three aspects of TAW: obligations for temporary staffing agencies, i.e. restrictions on the use of TAW in certain sectors, for a certain contract length or for reasons of use; requirement for licenses to operate, and provisions for equal treatment of agency workers. The various forms of regulation, through legislation or policy guidelines, operating at different geographical scales create a regulatory mosaic. At the global level, the International Labour Organisation (ILO) provides a framework of guiding principles for the TSI through the ILO Convention 181 (C181), adopted in 1997. This provides policy guidance for countries on how to improve the regulation for the TSI, increase labour market flexibility, and foster the development of temporary staffing agencies. It recognises the potential of temporary staffing agencies to play a positive role in modern labour markets; and therefore the primary purpose of the convention is to allow the operation of temporary staffing agencies, as well as to protect the rights of agency workers (Article 2.3). C181 replaced the Fee-Charging Employment Agencies Convention of 1949 (No. 96), effectively abandoning the ILO’s restrictive or
prohibitive policy toward the TSI. Ciett, the global trade association for the TSI, welcomed C181 as an instrument for setting international minimum standards for the industry and promoted the ratification of C181 - which had reached 23 countries by 2010 (see Table 3.9).

**Table 3.9: ILO Convention 181 ratified countries**

<table>
<thead>
<tr>
<th>Year</th>
<th>Countries Ratified</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>Albania, Ethiopia, Finland, Japan, Morocco, Netherlands, Panama</td>
</tr>
<tr>
<td>2000</td>
<td>Czech Republic, Italy</td>
</tr>
<tr>
<td>2001</td>
<td>Republic of Moldova</td>
</tr>
<tr>
<td>2002</td>
<td>Georgia, Slovakia</td>
</tr>
<tr>
<td>2003</td>
<td>Hungary</td>
</tr>
<tr>
<td>2004</td>
<td>Belgium, Lithuania, Uruguay</td>
</tr>
<tr>
<td>2005</td>
<td>Bulgaria</td>
</tr>
<tr>
<td>2006</td>
<td>Algeria, Suriname</td>
</tr>
<tr>
<td>2008</td>
<td>Poland</td>
</tr>
<tr>
<td>2010</td>
<td>Bosnia and Hercegovina, Spain</td>
</tr>
</tbody>
</table>

Source: Adapted from ILO (2010).

The guidelines outlined in C181 are more relevant for those countries where TAW is considered a relatively vulnerable employment option, i.e. where exploitation of temporary agency workers exists, or has existed in the past. Ratification of C181 is seen as an indication that the country is keen to ensure such TAW is a viable option in the labour market (Blanpain, 2004). This explains why some of the mature markets are not on the list of countries that have ratified the convention (see Table 3.9). They are likely to already have a range of their own regulations in place to ensure the fair treatment of workers, for example through collective agreements in Germany (Eurofound, 2008). Nevertheless, it seems some governments – particularly in Europe – ratified the convention to acknowledge the role of TAW as a tool to increase flexibility in the labour market, or at least it hinted that they accepted the use of more temporary agency workers (ILO, 2009).

This convention provides some guidance on placement of workers by temporary staffing agencies, and assistance for licensing and registration of such agencies. Despite encouragement from the ILO C181 for cooperation between public employment services and private employment agencies, little attention has been paid towards what effect these interactions were having on the market as a whole. While C181 is considered the minimum standard for the operation of temporary staffing agencies, there are no institutions that enforce it, and no obligation to provide evidence of compliance, unlike some national regulations. At a European level the TSI remains subject to a range of wider employment legislation, outlined in Table 3.10.
Table 3.10: European employment legislation relevant for the temporary staffing industry

<table>
<thead>
<tr>
<th>European Directive</th>
<th>Year</th>
<th>Key Features</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data Protection Directive 95/46/EC</td>
<td>1995</td>
<td>Regulates processing of personal data within the EU.</td>
</tr>
<tr>
<td>Directive 96/71 Posting Workers Directive</td>
<td>1996</td>
<td>Guarantees working conditions for migrant temporary workers would be in line with workers from country of destination (with respect to minimum wages, maximum working periods, holidays).</td>
</tr>
<tr>
<td>Working Time Directive 2003/88/EC</td>
<td>2003</td>
<td>Ensures workers in the EU are provided with a minimum number of holidays each year, paid breaks, a restriction on excessive night work, and a right to work no more than 48 hours per week.</td>
</tr>
<tr>
<td>Agency Workers Directive 2008/104/EC</td>
<td>2008</td>
<td>Requires equal treatment for temporary agency workers compared to permanent workers in the same organisation of work placement.</td>
</tr>
</tbody>
</table>

Source: Author's compilation.

At a national level these European directives are implemented in combination with other forms of national level regulation which predominantly take four forms: through national legislation, often implementing an EU directive; through collective labour agreements, often at the sectoral level, concerned with protecting the conditions of workers; through specific national pieces of legislation, and through self-regulation wherein codes of conduct established through trade associations endeavour to implement their own standards. Cross-country comparisons of national regulatory frameworks for the TSI are made difficult by the complexity and diversity of legal provisions encountered by the TSI (Storrie, 2002). While these impediments are in part an inherent feature of any international comparison, they remain particularly pronounced in the case of temporary staffing regulations. National legal provisions for the TSI are frequently not codified in a single legal document and have been subject to both numerous and substantial reforms in many European countries. With these limitations in mind, Appendix 3 provides a snapshot of the regulatory frameworks in a number of European countries by 2009. In many cases regulation attempts to ensure sufficient levels of protection are in place for temporary agency workers without hindering the expansion of the TSI.

The OECD includes the regulation of TAW in its calculations for an overall measure of the stringency of Employment Protection Legislation (EPL). Regulations with strong restrictions on the activities of the TSI (for example sectoral bans) were seen as a prime obstacle to the expansion of the TSI, and historically there were many areas of Europe...
where strict EPL dominated (EC, 2009). The OECD index on TAW is one of the OECD indicators on Employment Protection and is composed of several factors including: the types of work which TAW can be used for; restrictions on the number of renewals and maximum duration of temporary agency work contracts; regulations concerning the establishment of temporary staffing agencies; and requirements concerning equal treatment of temporary agency workers. This index is used as a proxy for the regulation of the TSI within Europe. The score for each country ranges from 0-6 depending on the extent of regulation, and restrictions placed on the TSI, with high figures indicating a regulatory environment where restrictions on TAW are high.

The following series of maps highlight how regulation of temporary staffing has not only varied across Europe, but also over time, with snapshots of the regulatory landscape in 1990, 2000 and 2008. A general trend towards lower levels of regulation of temporary staffing took place following consensus in the 1990s and early 2000s, concerning the need for countries to reduce employment protection for the TSI (ILO, 2007; 2009). Such levels of high protection had been blamed for introducing rigidities and adversely affecting job creation (ILO, 2009). This was in keeping with the European Commission (EC) and ILO recommendations to reduce restrictive elements of employment legislation in order to promote the flexible labour market (EC, 2007; ILO, 2011). However, some countries have also experienced periods of re-regulation, either as a response to European Directives, or as a response to market expansion. In 1990, there were a wide range of levels of Employment Protection Legislation (EPL) for temporary staffing, with a tendency for restrictive legislation in northern and southern Europe, with few liberalised markets (see Figure 3.10).

Of the 21 countries with sufficient data, 55% were classified as having a high EPL regulatory score (above 3.0) for temporary agency work. Seven countries, mainly located in Eastern Europe, had a regulatory score below 1.9, as temporary staffing was yet to be seen as a distinct market requiring regulation. The widespread high levels of employment protection meant that the options for the TSI were relatively limited; hence they continued to expand in the most mature markets. At this early stage of the TSI’s development there was already widespread variation in employment protection of TAW indicating a variety of different markets for the TSI. By 2000 the situation had changed considerably as the TSI increasingly became liberalised in many countries; only Greece (5.5) and Turkey (5.5) retained scores placing them in the higher EPL categories. Spain had achieved some reduction but still received a higher regulatory score of 4 (see Figure 3.11). Furthermore, 68% of countries obtained a regulatory score below 3.0, including many countries of Eastern Europe and Scandinavia, as well as the UK and Ireland.
Figure 3.10: Employment Protection Legislation for temporary staffing in Europe, 1990

Source: Constructed using data from OECD (2009b).

Figure 3.11: Employment Protection Legislation for temporary staffing in Europe, 2000

Source: Constructed using data from OECD (2009b).
The levels of EPL for temporary staffing experienced further reductions by 2008 to generate the contemporary European regulatory landscape (see Figure 3.12). By 2008 there were no countries with a regulatory score above 4.9, and the highest score of 4.88 was attributed to Turkey. 78% of countries now had a score below 3.0, with the lowest seen in the UK (0.29), and Sweden (0.71). The highest levels of restrictions were located in the Southern European countries, while most of Northern and Eastern Europe had comparably lower scores. It is clear that significant changes in the extent of EPL for temporary staffing have occurred in Europe since 1990. A clear transition for many countries took place from high levels of regulation for the TSI to a much lower level – usually in the form of removed restrictions on the use of agency work in particular areas of the labour market. While many countries retained the same regulatory scores during the 1990s, nine countries experienced decreasing levels of regulation by 1999 (41% of countries included in this analysis), with the highest levels of change experienced in Denmark and Sweden.

Figure 3.12: Employment Protection Legislation for temporary staffing in Europe, 2008

![Map of Europe with color-coding for regulatory scores]

Source: Constructed using data from OECD (2009b).

Moving on to examine change in EPL scores across this time period two different phases of change can be observed. First, between 1990 and 1999 (see Figure 3.13), relatively little change occurred in restriction for many countries. Where change did occur, this was predominantly towards liberalisation - in Scandinavia, Italy, Spain and Germany. Second,
between 2000 and 2008, a greater level of change took place whereby all countries experienced some level of change (see Figure 3.14).

Figure 3.13: Change in Employment Protection Legislation for temporary staffing in Europe, 1990-1999

Source: Constructed using data from OECD (2009b).

Figure 3.14: Change in Employment Protection Legislation for temporary staffing in Europe, 2000-2008

Source: Constructed using data from OECD (2009b).
Some areas continued to experience a reduction in EPL scores - indicating that there were fewer restrictions on TAW – including much of Scandinavia, the UK, France, Italy, Spain, Portugal and Turkey. However, in contrast to the previous decade, there is widespread evidence across Europe – France, Italy, Central Eastern Europe, Ireland and Finland – of increasing levels of EPL for TAW. For Italy and Central and Eastern Europe this can largely be attributed to a legal recognition of TAW, with subsequent first attempts to regulate the TSI – often in the form of licensing requirements or provisions of minimum wages for temporary agency workers. In addition, from Figure 3.14 it is possible to see there were no countries (for which data was available) experiencing zero change in EPL related to TAW. Greece experienced the greatest reduction in EPL, attributed to the removal of the legislation that prohibited the activity of temporary staffing agencies in 1998. Examining these changes over the time period 1990-2008 (see Figures 3.15 a and b) reveals that a very wide range of EPL for TAW remained throughout Europe.

The EPL scores in 1990 ranged from 0.3 to 5.5 while in 2008 they ranged from 0.2 to 5.0, so while the highest EPL score was slightly lower than in 1990, the range remained broad. The changes for EPL scores in this time period have been divided into two graphs in order to reveal patterns for countries with both the higher and lower EPL scores. Figure 3.15a displays the change in EPL score for the countries with the highest scores in 2008 where most counties appear to be converging towards the centre ground between scores of 2 and 4. Turkey is the exception here with a sustained high level of EPL as restrictions remain high for the TSI. Figure 3.15b displays the change for countries with the lowest EPL scores in 2000. For this group of countries, most experienced an increase of EPL for TAW, with the exception of the UK and Sweden. For these countries there appears to be some transition towards a level of convergence for these countries, between a score of 1 and 2.

The most important feature to be drawn from both the maps of Europe and the graphs is the sustained level of variation in EPL for TAW in Europe, supporting the idea that there are in fact distinctive national markets for temporary staffing of which regulation is one constituent feature. Regulation, while important, represents only one institutional component of the TSI. As this thesis explores, there are a multitude of actors present in each national labour market and it is the relationships between them that shape the respective national temporary staffing industries. The next section considers relevant European actors who, through dialogue with others, have affected the European temporary staffing landscape.
Figure 3.15: Change in Employment Protection Legislation for temporary staffing 1990-2008
a) Highest EPL scores for 2008

![Graph showing change in EPL scores from 1990 to 2008 for various countries with the highest EPL scores in 2008.]

b) Lowest EPL scores for 2008

![Graph showing change in EPL scores from 1990 to 2008 for various countries with the lowest EPL scores in 2008.]

Source: Constructed using data from OECD (2009b).
3.5.2 Developments in temporary staffing industry regulation: European institutions and the European Agency Workers Directive

Governing institutions (the EU and national governments) created regulations for employment, and for the TSI more specifically, although the final form of regulation can be influenced by other institutions through processes of consultation and continued dialogue, and by lobbying from interest groups. An important concept for exploring institutional actors in the TSI is that of the dialogue between social partners, highlighted in many European policy documents (EC, 2007, CEP, 2007 Ciett, 2007b; 2009a), the key communication tool through which many actors in the TSI were connected.

At a European scale, the global trade association, International Confederation of Private Employment Agencies (Ciett) and its European division, Eurociett, took part in a dialogue with the Uni-global union (a confederation of trade unions) promoting the national sectoral social dialogue, a formalised schedule for discussions related to TAW between organisations which represent the workers (trade unions) and the employers (trade associations). Sectoral committees were established in the EU to promote the dialogue between the social partners - trade associations and trade unions - in various sectors at European level, including one specifically for TAW since 2000.

‘European social dialogue acts as a forum for consultations on European policies as well as a tool for autonomous social dialogue among the European social partners who may develop joint actions and conduct negotiations on issues of common interest. European sectoral social dialogue contributes directly to shaping European Union labour legislation and policies’ (Eurofound, 2010).

The topics covered in the roundtable discussions which formed the basis of this dialogue indicate the focus of their efforts: the Europe 2020 strategy, inclusive labour markets, promoting national social dialogue, the EU Directive on Agency Work, the EU Directive on Posted Workers, the EU Directive on non-discrimination, the ILO C181, temporary agency work and transitions in labour markets, cross border activities of the temporary staffing industry and the effect of the financial crisis on the economic situation. These social partners developed an action plan to promote further ratifications of ILO C181 in the form of workshops, technical assistance, and lobbying the ILO. In addition, a formal Memorandum of Understanding was established between Ciett corporate members and the UNI Global Union (Ciett, 2008); a significant development as generally unions opposed the use of TAW, while Ciett was the global body with a sole purpose of promoting the use of TAW. Eurociett argued that both trade associations and trade unions represented key stakeholders for the TSI, on the basis they shared several topics of common interest. The committee for the sectoral social dialogue encouraged the promotion of national sectoral social dialogue, recognising the different situations that occur across Europe, and aiming to develop the industry by benefitting from the shared knowledge of the different national contexts.
Ciett was established in Paris in 1967, although it has only been legally established as a non-profit making association since 2006. The association has made great efforts to provide suggestions for codes of practice, relationships with public employment sectors and promoting the global reach and importance of the TSI. The locations of their annual conferences since establishment hint at the increasingly global reach of their interests: Dublin (2007), San Diego (2008), Lisbon (2009), Sao Paulo (2010), Rotterdam (2011) and London (2012). The European branch of Ciett, Euro-Ciett, remained actively involved in shaping legislation regarding the activities of agencies and how workers should be treated. Eurociett often represents the interests of the TSI in wider European labour market discussions, and makes efforts to promote the use of TAW, although as an organisation it does not involve itself in national discussions, as explained at the World Employment Conference in 2009:

‘Eurociett at this stage only works at European level... Eurociett is also consulted by the [European Commission] as an expert in agency work issues which has representatives from all EU members states. It does not interfere into the national lobbying of our members regarding the implementation of policies, agendas or directives at the national level. We provide guidance and assistance for our members and legal advice, and what recommendations can be given from a European perspective. We would never interfere in national lobbying because that is up to our members to take action on that. And members have different needs and objectives regarding implementation of policies, and in some cases that can mean just maintaining the status quo’ (Eurociett, 2006).

Eurociett clearly recognised the distinctiveness of the different national markets and the varied needs regarding European legislation. The implication of this was that while Eurociett, and the other European (and global) institutions made great efforts to influence the European temporary staffing landscape, they did not have such a great influence on the national institutional context (see Table 3.11 for summary of European institutions).

The social partners at the European and national level were involved in one of the most controversial European pieces of legislation for the TSI: the European Agency Workers Directive (2008/104/EC) which included provision for equal treatment for temporary agency workers with their permanent counterparts (European Parliament, 2008). This Directive makes efforts to harmonise the regulations on the temporary staffing industry across Europe around a particular ‘norm’. The European Agency Workers' Directive (or AWD) was the result of nearly three decades of discussions and failed attempts to reach an agreement on regulation for temporary agency workers. The European Parliament finally approved the Council Directive 2008/104/EC in October 2008. Eventually, after years of political stalemate and obstruction on the part of certain member States, an agreement between the Trade Unions Congress (TUC) and the Confederation of British Industry (CBI) in May 2008 opened the way for the British Government to lift its opposition
to progress and to agree a final version of the Directive. All EU member states were required to implement the features of the Directive by 5\textsuperscript{th} December 2011.

Table 3.11: Summary of key European Institutions relevant to the temporary staffing industry

<table>
<thead>
<tr>
<th>European Confederation of Private Employment Agencies (Eurociett)</th>
<th>Uni-Global</th>
<th>European Trade Unions Confederation (ETUC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
<td>European Trade Association for the TSI who promote common interests of the agency work industry in Europe. Part of the Global trade association Ciett.</td>
<td>Global Trade Union confederation representing 20 million service sector works through its affiliate unions.</td>
</tr>
<tr>
<td>Members</td>
<td>27 national federation members and six corporate members: (Adecco, Kelly Services, Manpower, Hudson, Randstand and USG people).</td>
<td>900 affiliated unions</td>
</tr>
<tr>
<td>Functions</td>
<td>Lobbying for the temporary staffing industry Promotion of the reduced regulation of temporary staffing industry. Encouraging recognition of the contribution of agency work to a well functioning labour market. Promotion of the sectoral social dialogue.</td>
<td>Working with its affiliate unions and their members to influence labour market conditions particularly surrounding treatment of workers. Lobbying for fair treatment of workers Promotion of the sectoral social dialogue.</td>
</tr>
</tbody>
</table>

Source: Organisation websites.

The Directive was created as it was felt by many of the social partners and national institutions in Europe that the TSI needed regulation at a similar level across Europe. Its main aim was to establish a level of equal treatment for agency workers across Europe, as part of a wider EU attempt to address atypical work. Three consultations were launched on TAW, part-time and fixed-term work, although agreements on the latter two were much more rapidly finalised (1997 and 1999). The brief timeline in Table 3.12 indicates some of the key stages in its development, and events that shaped the formation of the EU Agency Workers Directive.

The process of negotiation took so long due to a significant level of resistance towards the directive from some member states, particularly the UK. The more established and deregulated markets expressed concern over implementing too much regulation, and were anxious it would lead to a decline in the use of temporary agency workers (REC, 2009). Debates between the TUC and CBI (in the UK) were blamed for much of the delay in completing the final agreement on the terms of this Directive.
Table 3.12: Timeline of the European Agency Workers Directive

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1974</td>
<td>Issues of protecting temporary agency workers was first addressed in the Council Resolution OJ C13/1.</td>
</tr>
<tr>
<td>January 1995</td>
<td>European Commission launches consultations on temporary agency work, fixed term work and part time work.</td>
</tr>
<tr>
<td>May 2001</td>
<td>Continued negotiations between European social partners.</td>
</tr>
<tr>
<td>May 2002</td>
<td>Original proposal for the EU Directive.</td>
</tr>
<tr>
<td>May 2008</td>
<td>TUC/CBI agreement that allowed agreement over a final version of the Directive.</td>
</tr>
<tr>
<td>December 2009</td>
<td>EU AWD published in its second format.</td>
</tr>
<tr>
<td>December 2011</td>
<td>Final deadline whereby member states needed to have implemented the Directive.</td>
</tr>
</tbody>
</table>

Source: Author's compilation.

Two key sections of the Directive contributed to a change in the regulatory landscape for the TSI. First, Article 4 involved a review of restrictions on TAW. It stipulated that prohibitions and restrictions on the use of TAW could only be justified on the grounds that it was to protect TAWs in term of health and safety at work, or to ensure that labour markets function properly. This article was designed to reduce the level of restrictions on the use of TAW in Europe which still existed in some countries by 2010 (see Table 3.13).

Table 3.13: Restrictions on temporary agency work in Europe prior to European Agency Workers Directive

<table>
<thead>
<tr>
<th>Restriction</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited length of assignment</td>
<td>Belgium, Czech Republic, Finland, France, Greece, Luxembourg, Poland, Portugal, Romania, Slovenia. Spain, Sweden</td>
</tr>
<tr>
<td>Sectoral bans</td>
<td>Belgium (public sector)</td>
</tr>
<tr>
<td></td>
<td>France (public sector, doctors)</td>
</tr>
<tr>
<td></td>
<td>Germany (construction)</td>
</tr>
<tr>
<td></td>
<td>Luxembourg (public sector)</td>
</tr>
<tr>
<td></td>
<td>Netherlands (sea shipping)</td>
</tr>
<tr>
<td></td>
<td>Spain (construction, public sector)</td>
</tr>
<tr>
<td>Limited reasons for use</td>
<td>Belgium, Finland, France, Italy, Luxembourg, Netherlands, Poland, Portugal</td>
</tr>
<tr>
<td>Limitation on Temporary Agency Work contract</td>
<td>France, Italy, Luxembourg, Romania, Sweden</td>
</tr>
<tr>
<td>renewals</td>
<td></td>
</tr>
<tr>
<td>Waiting Period</td>
<td>France, Luxembourg, Hungary</td>
</tr>
<tr>
<td>Compulsory exclusivity of TAW services</td>
<td>Greece, Luxembourg, Portugal, Spain</td>
</tr>
<tr>
<td>Limitations on number of Temporary agency workers</td>
<td>Austria, Italy, Sweden</td>
</tr>
</tbody>
</table>

Source: Author's compilation.
Second, Article 5 established the principle of equal treatment and equal pay for temporary agency workers. Equal treatment covered the concept of basic working and employment conditions, defined as: pay (to be defined at the national level), the duration of working time, overtime, breaks, rest periods, holidays and public holidays. In order to reflect different national labour market traditions and needs, the Directive covered forms of derogation (for open-ended contracts through collective labour agreements and through agreements with trade unions and trade associations). Principles of equal treatment and equal pay were already common practice in most EU countries by 2010 (as seen in Table 3.14), often through collective agreements (e.g. Germany), yet this was the section of the Directive which caused the greatest debate. The details of the AWD were of particular concern to some UK institutions as it was thought that this EU-derived piece of legislation was not adapted to meet the demands of the UK labour market (REC, 2009). By putting temporary agency workers on equal terms with permanent workers with regard to pay and conditions, the AWD presented a challenge for the TSI and companies alike who utilised temporary agency workers.

Table 3.14: Equal treatment provisions in Europe prior to European Agency Workers Directive

<table>
<thead>
<tr>
<th>Countries with Equal Treatment Regulation</th>
<th>Countries with no Equal Treatment provision</th>
<th>Countries with no specific regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Luxembourg, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden</td>
<td>Ireland, UK</td>
<td>Bulgaria, Cyprus, Estonia, Lithuania, Latvia, Malta</td>
</tr>
</tbody>
</table>

Source: Author’s compilation.

The European AWD had a varied impact on the TSI in different countries not only because of the different characteristics of the industry and labour market, but because of different relationships it had with the state. This point in particular is explored in the three case studies explored in this thesis.

3.6 Overview of the political-economic systems in three case studies

Having provided a broad overview of the characteristics of the TSI across Europe, and the significant levels of variation within the region, the following section introduces the three case studies which form the foci for this thesis: the United Kingdom, Germany and the Czech Republic. For this research the geographical location of the cases was less significant, but the key characteristics of the temporary staffing industry and wider national economic systems were fundamental in order to make an effective comparison. Therefore, processes of theoretical sampling, preliminary empirical exploration, and
issues of practicality in conducting the research informed these choices of case studies, each of which will be discussed in the following section.

Theoretical sampling was employed whereby the categorisation’s of varieties of capitalism explained in Chapter 2 were used to identify different forms of political-economic system. In this case the liberal (UK), neo-corporatist (Germany) and post-socialist (Czech Republic). Informed by the discussions around national systems of production and ‘varieties of capitalism’ (as discussed in Chapter 2) the cases sought to represent different political-economic systems: neoliberal (UK), corporatist (Germany) and post-socialist (Czech Republic) (see Figure 3.16).

**Figure 3.16: Introducing three national systems as case studies**

Source: Author.

First, the UK represents the more flexible end of the spectrum in terms of European labour market institutions. The level of employment protection is one of the lowest among OECD countries (with only the US and Canada being more flexible) and it also has substantially lower levels of union density and coverage than most other continental European countries (Nickell et al., 2005). Indeed, wage setting is generally decentralised and relatively free of regulations, as discussed in some detail by Borland et al. (2002).

Second, Germany with its neo-corporatist social model has a very different arrangement of labour market institutions (Streeck, 2010). In terms of employment protection, Germany has an elaborate system of legal rules and contracts that stipulate conditions for
dismissal, providing fairly secure employment prospects for workers, but making hiring and firing of workers difficult for firms. In fact, as Nickell et al. (2005) show, Germany has one of the highest levels of employment protection among OECD countries. Furthermore, the German labour market is characterised by the importance of unions in wage bargaining, and for the TSI in particular the presence of collective agreements (Kern and Schumann, 1998). Collective bargaining generally takes place annually between unions and employer federations and can be at either industry and/or regional level (Streeck, 1993; 1997). The 'German model' remains considered a 'specific national compromise between state, civil society, and economy, a compromise in principle being geared towards consensus and stability. Accordingly, firms are regarded as social institutions, not just networks of private contracts or the property of their shareholders' (Berndt, 2000: 1571). Finally, the Czech Republic is used as a representative of the post-socialist countries in Central and Eastern Europe, of particular interest because it has transformed the institutional framework from a centrally planned economy to a market based one during the first years of the 1990s (Gehrke and Knell, 1992). These three case studies as different political-economic systems are summarised in Figure 3.16.

Empirical data was used to identify different temporary staffing industries. It was important to include countries with temporary staffing industries of different size and with different histories of development, in order to allow for effective comparison. This meant exploring secondary empirical data to highlight countries with different numbers of temporary agency workers, numbers of temporary staffing agencies, but also to identify countries where the industry had development more recently. Essentially this ensured cases chosen were ‘context-rich’ in order to allow a detailed comparison of the different national temporary staffing industries (Peck and Theodore, 2010). Therefore cases were chosen where the broad characteristics of the temporary staffing industries were different; in order to represent the range of national situations present within Europe. The broad characteristics of the TSI in these three countries are displayed in Table 3.15. The purpose of the cases was to further the theoretical discussions about the different varieties of temporary staffing in Europe: in order to do this significant levels of variety needed to be explored.

Table 3.15: A comparison of the temporary staffing industry in three countries

<table>
<thead>
<tr>
<th>Feature</th>
<th>UK</th>
<th>Germany</th>
<th>Czech Republic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of temporary staffing agencies</td>
<td>2004</td>
<td>6,500</td>
<td>5,058</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>11,500</td>
<td>6,049</td>
</tr>
<tr>
<td>Number of temporary agency workers (FTEs)</td>
<td>1998</td>
<td>696,000</td>
<td>246,000</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>880,000</td>
<td>793,000</td>
</tr>
<tr>
<td>Agency work penetration rate (%)</td>
<td>1998</td>
<td>2.6</td>
<td>0.6</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>3.0</td>
<td>2.0</td>
</tr>
</tbody>
</table>

na: not available
As shown in Table 3.15 the largest of the TSI in terms of agencies and workers is found in the UK, indeed it is the largest in Europe. While Germany by 2010 had a number of agency workers not too dissimilar from the UK, it had significantly fewer agencies. At the beginning of this research (2008) there were only around 600,000 agency workers, and so the difference was more substantial. However, this large increase itself indicates a rapidly developing industry and therefore a potentially interesting case. The Czech Republic, with legalisation of temporary staffing in only 2004, represents an emerging market for the TSI with very small numbers of agencies and workers compared to the other two cases, another interesting point of comparison. In terms of market penetration of temporary agency work also, there is significant variation, while the UK has reached 3.0% by 2010, despite rapid growth in Germany it had yet to reach higher than 2.0 and in the Czech Republic due to its developing market was still only a very small proportion of the labour force.

Therefore, the selection of cases was also 'information oriented' (Flyvberg, 2006). Using theoretical sampling identified groups of cases within which suitable countries could drawn based on empirical data to provide sufficient comparison. Of course, within each of theoretically informed categories there are other examples which could have been chosen. For example the Slovak Republic in the post-socialist category, however, at the time this research began the TSI was not as developed as the Czech Republic and it seemed there would be not enough industry development to allow a fruitful comparison. In addition, there were also practical constraints on carrying out this comparative case study research. Three countries were deemed sufficient to be able to draw effective comparisons but remain practical in terms of what could be achieved in a study of this size. Also in terms of time and resource constraints on the research, these countries were suitable given travel within the UK would be easy as this was the home country of the researcher, and the researcher had some knowledge of German language.

Based on this initial empirical data obtained a consideration of the different theoretical concepts about different national systems, and practical issues related to overseas fieldwork these three cases were identified as suitable for the comparative approach for this thesis. While the UK has been subject to some academic research charting its history and development (Ward, 2003; Forde, 2001; Forde and Slater, 2005), much less work had been conducted on Germany (although see Garhammer, 2002; Mitlacher, 2007; Jahn, 2010) and even less on the Czech Republic (although see Coe et al., 2008). This thesis aims to uncover distinct national temporary staffing industries, identify the key relationships that define them, and produce some comparative analysis, within a wider EU context.
3.7 Summary

‘United in Diversity’ is the motto of the European Union, and diversity it seems is the key feature of the TSI, and of employment more generally across Europe. Employment policy since the 2000 Lisbon Agenda (revised in 2010) has focused on trying to reach the goal of 75% of those aged 16-64 in employment by 2020, a driving goal for Europe which the temporary staffing industry (TSI) argues it can contribute to. A key concept now used in European employment policy is flexicurity, i.e. the ability to ensure a flexible labour market to meet the needs of firms, while providing some employment security (or at least employability) for its workers. This has been significant for the TSI which continues to promote itself as an appropriate tool to achieve flexicurity in the labour market.

This chapter set out to present a broad overview of the European employment patterns and policies which provided the foundations for the activities of the TSI. While overall growth in rates of employment and a reduction in unemployment were experienced since 2000, the 2008 financial crisis wiped out much of this growth and led to increasing rates of unemployment across Europe, though the extent of this was variable. The TSI has experienced significant growth across Europe since the mid-1990s, with rapid expansion from the mid-2000s following removal of many restrictions on temporary agency work (TAW). Regulation represents a key factor for many countries in shaping the growth of the TSI. Examining data from the OECD on Employment Protection Legislation for TAW revealed significant diversity in the regulation of TAW since 1990 reinforcing the concept of distinctive national forms of TSI. The development of the European Agency Workers Directive highlighted the role of trade unions and trade associations (and indirectly temporary staffing agencies) in shaping legislation for TAW. Due to the variegated nature of temporary staffing across Europe the impact of legislation differs depending on the different national relations between the state and European legislation, but also other key institutions such as trade unions and trade associations.

This chapter has provided a wider context for the empirical research which forms the core of this thesis, providing more in-depth evidence for the three case studies. The United Kingdom, Germany and the Czech Republic represent countries from three different political-economic systems, but also countries where the TSI is different in terms of history, growth and characteristics. In order to explore the variegated nature of the TSI empirical research has been conducted in these three countries to identify nationally distinctive forms of the TSI. The methodological strategy for this research is discussed in-depth in the next chapter.
4 Undertaking comparative institutional research to reveal national varieties of the temporary staffing industry

4.1 Introduction

'Different methods are like the kaleidoscope: depending on how they are approached, held, and acted toward, different observations will be revealed' (Denzin, 1989:235).

Moving on from the European context of the temporary staffing industry (TSI) this chapter provides a comprehensive account of this research's methodological strategy. Drawing from earlier discussions of the theoretical framework, the chapter outlines the research strategy, its key components and issues associated with conducting research in this field. A methodological strategy was developed in order to explore the institutional context for the TSI. Undertaking fieldwork in three countries has the advantage of being able to provide an effective comparison across a range of different institutional environments, highlighting the diversity that exists within the EU.

The chapter begins with a discussion of how the philosophical foundations of the research influenced the methodological choices made (4.2). In Section 4.3 the chapter then turns to the research strategy outlining the case study research method and discussing issues related to comparative research. Moving on to the data collection in Section 4.4, the chapter then discusses the processes of documentary analysis, institutional mapping and qualitative interviews. The chapter then addresses analysis and positionality in Section 4.5. This begins with a consideration of the nature of 'elite interviews' leading in to a wider discussion surrounding analysis, positionality and ethics. A summary of the methodological strategy is then provided in Section 4.6.

4.2 Philosophy and research in geography

Research is ultimately 'a systematic investigation to find answers to a problem' (Burns, 2000:3), but in order to conduct such an investigation, an appropriate and comprehensive methodological strategy is required. Beyond the practical requirements of a research methodology, the techniques utilised in any piece of research should be rooted in a philosophical standpoint, and linked to the research questions raised. Philosophy therefore provides the foundations for research. In essence, 'the nature of what exists cannot be unrelated to how it is studied' (Archer, 1995:16). What exists or does not exist forms the basis of an ontological perspective, determined by the way in which we see the world and our place within it. The relationships between methodologies and philosophies and the effect these have on empirical research are complex but remain key drivers of choices that take place throughout the research process (Graham, 2005).
The researcher has a plethora of theoretical perspectives to draw from as a geographer and social scientist, including: positivism (Popper, 1970); poststructuralism (Foucault, 1982; Derrida, 1984); Marxism (Peet and Thrift, 1989); postmodernism (Dear, 1988; Soja, 1989); and critical realism (Archer et al, 2007; Bhaskar, 2008; Sayer, 2010), to name a few. Discussions of the various 'isms' available to the researcher are well rehearsed in the social science literature (see Graham, 2005), but there is no space to cover them in detail here. The basic ontological assumptions that underpin this research methodology were informed by critical realism which rejects positivist approaches, and captures the belief that reality is dependent upon more than just one's own thinking and knowledge (Sayer, 2010). This challenges the empiricist view of reality, as the perceptions we have of events are not separated from the events themselves (Sayer, 2010). Critical realism recognises a world in which a continuous process of structuration takes place between structures and the agency of relevant actors in societies (Yeung, 1997).

People do not create society, for it always pre-exists them and is a necessary condition for their activity (Bhaskar, 1998). Rather, society must be regarded as an ensemble of structures, practices and conventions which individuals reproduce or transform. Under critical realist thought social structures are transformed and reproduced by social actors (Yeung, 1997). Denzin and Lincoln (2011:11) suggest that ‘critical realists agree with the positivists that there is a world of events out there that is observable and independent of human consciousness. Knowledge about this world is socially constructed...Critical realists believe that reality is arranged in levels. Scientific work must go beyond statements of regularity to the analysis of the mechanisms, processes, and structures that account for the patterns that are observed’. According to Bhaskar (1989), these levels are three-fold: the real, the actual and the empirical, which distinguish between what we acknowledge, what actually happens and what ultimately produces these events and phenomena in reality. Under this philosophy the same structures can produce different outcomes and vice-versa (Cloke et al., 1999).

Particular emphasis is placed in this philosophy on the role of actors in specific environments and their ability to shape the structures in which they are embedded, as well as their ability to influence mechanisms for adjustment (Sayer, 1999). This takes inspiration from structuration theory developed by Giddens (1979, 1984), which sought to ‘elucidate the intersections between human subjects and the social structures in which they are involved’ (Gregory et al., 2009: 726). However, Giddens’ theory was abstract, and unlike critical realism did not prescribe any guidance on methodology strategy.

A debate continues on what it actually means to do critical realist research (Yeung, 1997; Sayer, 1999, 2004; Downward et al, 2002; Bathelt and Glückler, 2003; Mäki and Oinas,
While both Sarre (1987) and Yeung (1997) highlight there are practical questions of how to do critical realist research, key aspects of this philosophy have influenced the methodological choices in this study. In particular, Sayer (2010) identifies two forms of research, extensive and intensive. This distinguishes between breadth and depth: the former is concerned with a large number of cases but with a limited scope, resulting in the production of generalisations, while the latter widens the scope of a smaller number of cases (Cloke et al., 1991). To uncover such structures and their effects on society (in this case the TSI), intensive research methods were required. The desire to understand the national institutional arrangements and their interrelationships meant that intensive research was therefore more suitable.

Considering the nature of this research, which focuses on aspects of labour and different institutions, the research has some influence from Marxist perspectives. In particular, the emphasis on how different processes in a national system are shaped by the features of the capitalist – space economy. While Marxism presents an alternative to critical realism there are some who argue the two philosophies can be complementary. Brown et al. (2001) argued there are three levels to bodies of thought: the philosophical, theoretical and practical, and that while Marxism spans all three levels, critical realism remains at the philosophical level because it licenses no particular political program, and no particular theory (see Brown et al., 2001, for a more in-depth discussion of the compatibility of critical realism and Marxism).

This research investigates the role of the temporary staffing industry (TSI) as an actor within different national institutional structures, and therefore draws from these discussions. The use of semi-structured interviews constitutes one option for critical realists, justified on the basis that those who adopt purely quantitative research methods often neglect social and cultural influences on the subject of investigation (Yeung, 1997; Bhaskar, 2008; May, 2002). Adopting qualitative research methods addresses this downfall, providing an intensive method of investigation to develop a deep understanding of the object of study (Silverman, 2010) without the inclusion of hypothesis testing advocated by positivists (Popper, 1970). However, in some cases quantification can be useful, and indeed appropriate to complement qualitative empirical data (Blaikie, 2009; Obermeyer, 1997). In the case of the preliminary data analysis for this research, quantitative secondary data provided a means to map the size and characteristics of each TSI. Utilising the intensive qualitative research methods of semi-structured interviews, supplemented with additional secondary quantitative data as part of the case study approach allowed the information gained to be addressed in a systematic manner (Yeung, 1997; Sayer, 1999).
Considering the relative paucity of comprehensive data on the TSI in the three chosen countries, a research strategy was necessary that would generate both broad indicative quantitative data but also more context specific data about particular aspects of interest, illuminating relationships between actors in each case. Research methods are often classified in various ways, such as objective versus subjective, qualitative versus quantitative, or deductive versus inductive. Differences in approach have prompted debate over which one is ‘better’, and practices deemed superior are often associated with the traditional conceptualisations of science (Popper, 1970), defined as a process of systematic observation and experimentation (Collis and Hussey, 2009). In this view, insights into multifaceted social situations are lost if complexities are reduced to law-like generalisations (Easterby-Smith et al., 2002). For human geography, the methods and philosophies of the natural sciences are not appropriate (Graham, 2005). However, to arrange research approaches hierarchically is not helpful, and it misses the vital point that research approaches do not need to be viewed as either better or worse than one another (Bhaskar, 1983). Each will be best at different aspects, according to the nature of the research topic, the wealth of literature surrounding it, and the researcher’s individual philosophical perspective (Bishop, 2007).

Human geography as a field of study incorporates a multitude of research methods (see Kitchin and Tate, 2000; Tickell et al., 2007; Clifford and Valentine, 2010; Gomez and Jones, 2010; Hay, 2010). Researchers are often pressed with a choice between using quantitative methods on the one hand and qualitative approaches on the other, depending on the nature of the knowledge they wish to produce. According to Yeung (2003: 451), there are ‘key methodological dividing lines between neoclassical geographers and new economic geographers. Whereas the former tend to rely on stylised facts and modelling to approximate the real word, the latter appreciate and unravel the complexity of economic landscape through direct and intimate research into the firms, industries and markets concerned’. In the former, methods are used to generate and test hypothetical-deductive generalisations (Patton, 2002) and utilise 'stylised facts' (Clark, 1998). In the latter, approaches are used inductively to explore human experiences, and construct meanings in context-specific settings through ‘close dialogue’ (Clark 1998). Many human geographers favour qualitative methods and this issue has been subject to much discussion (see Schoenberger, 1991; Hughes, 1999; Limb and Dwyer, 2001; Crang, 2003, 2005; Davis and Dwyer, 2007, 2008; Cresswell, 2008; Hay, 2010; Herbert, 2010).

However, Glaser and Strauss (1967:17) argue that ‘there is no fundamental clash between the purposes and capacities of qualitative and quantitative method or data’; therefore ‘there is no reason to rule out the usefulness of statistical analyses as a tool for piecing together broad pictures of economic landscapes’ (Yeung, 2003: 456). The use of
quantitative data can therefore be useful for describing and contextualising relations of actors at higher levels of abstraction, be it, firms, regions, or nations (Jones and Hanham 1995; Plummer et al., 1998; Plummer and Sheppard, 2001; Sheppard, 2001). For this purpose, quantitative data is used in this research as a method to map out the macroview of the TSI in each country, and as an initial point of comparison between the cases.

4.3 A cross-national comparative case study strategy

4.3.1 Case study research: a multi-method approach

Some scholars view a case study as a particular method of gathering data, while others view it as a wider methodological strategy (Stake, 1995; Yin, 2003). The latter view is employed in this research. Case studies in human geography, particularly economic geography, have been used in a variety of investigations where an ideal methodology includes a holistic, in-depth investigation (Feagin et al., 1991). Thus the case study may be defined as 'a research strategy or design that is used to study one or more selected social phenomena and to understand or to explain the phenomena placing them in their wider context' (Whitfield and Strauss, 1998: 103). The objective of using this strategy is therefore to 'develop as full an understanding of the case as possible' (Punch, 1998: 150). In order to produce an effective case study, sufficiently detailed and in-depth data is required, which in turn, requires a multi-method approach to collecting data. As Yin (2009:13) explains a case study should be 'an empirical enquiry that investigates a contemporary phenomenon within its real life context; when the boundaries between the phenomenon and context are not clearly evident; and in which multiple sources of evidence are used'.

This approach not only allows a range of methods to be used, but supports the collection of different kinds of evidence (Gillham, 2000). For some, case study research remains more of an art than a science, requiring experience and judgment (Whitfield and Strauss, 1998), while others have attempted to introduce more rigour into the proceedings. Little consensus exists about what actually defines a particular case, with different views on what or who to include (Stake, 2005). While some scholars argue cases should always be viewed as a 'bounded system' (Stake 2005) it is recognised that the boundaries of the case are not always clear (Yin, 1984). Yin (2009) suggests key components of case study design: the study's questions, its propositions and its unit of analysis. The cross-national comparative nature of this research means that the main unit of analysis is the nation state, with clearly defined boundaries. However, as part of a wider European Union it is possible that the supranational context may have an impact on national institutional arrangements, and as such each case should have an awareness of the wider context in which it is embedded, and its potential external influences.
In addition to discussion of case study definitions, there are also different typologies of case studies. Stake (1995, 2005) suggests three types of cases studies dependent on the objective of the research: intrinsic, where the objective is to learn about a particular case; instrumental, where a particular case is researched to investigate a particular issue rather than as a whole; and collective, where the instrumental case study is extended to a few cases in order to better understand different features of a given phenomenon. The first two focus primarily on information within specific cases, while the third focuses within and across cases, hence the collective case study title. This is the most suitable for this study. Yin (1984) identified three case study forms: exploratory, initial investigation often as a pilot to further study; explanatory, in order to investigate a range of influences in particular cases; and descriptive, where cases are characterised. These two typologies were developed according to features of a case study. Furthermore, Babbie (2004) suggests there are two types of case study, the first aims to verify, modify or refine existing theories and the second, which aims to develop new concepts or theories. The former is designed to uncover if laws or explanations in existing theorisations were correct rather than to enhance understanding. The latter, theory-building case studies are the foundations for development of new concepts and theories (see Burawoy, 1991; Stake, 1995; 2005; Gillham, 2000; Babbie, 2004).

The choice to undertake theory verifying or theory building case studies relates to another issue with the production of knowledge: generalisability. In qualitative research it is often suggested that generalisability to a larger population is unfeasible in most situations; this assumes an inability to generalise based on flawed interpretations of what generalisation means in the case of the study context (Blaikie, 2009). Case studies are not sampling units but rather individual cases and therefore the concept of generalisability is replaced by a notion of 'fittingness', suggesting that for qualitative researchers generalisability is best thought of as a matter of the 'fit' between the situation studied and others to which one might apply the same concepts and conclusions (Sarantakos, 2005). In a process called 'naturalistic' generalisation findings from one study can be applied to understanding other similar situations (Stake, 1995). Relating results to existing theory enables a study to have a greater significance beyond the cases in question (Marshall and Rossman, 2010). Multiple case designs in this instance are regarded as more compelling and robust (Yin, 2009).

For Bassey (1981:85) case studies provide 'relatability', or the merit of the case study for its intended purpose, rather than the generalisability. This suggests that the purpose of case study research is particularisation rather than generalisation (Bell, 2005, Berg, 2004, Miller and Brewer, 2003, Punch, 1998, Stake, 2005). However, it is argued by Punch (1998) that case studies can also generate generalisations, through abstract theorisation,
or through identification of phenomena that could be transferable to other cases. Here it is possible to make a distinction between methods deployed in research; Miller and Brewer (2003) termed this analytical generalisation, as opposed to statistical generalisation, that would be typical for quantitative research. Furthermore, Stake (2005) argues that generalisations can be drawn from multiple (comparative) studies.

In this thesis, it was not the overall intention to produce results that could be generalised to wider geographical regions, rather the intention was to investigate three cases to highlight significant differences between countries and to theorise about the effects of different institutional contexts for the TSI. Through comparison of the three chosen cases it was possible to develop a comprehensive data corpus with critical understanding of the complex situations found in each national system. The decision to adopt a case study approach was therefore based on the premise that to fully explore and understand the activities of the TSI, and its role in the wider labour landscape, it would be necessary to use more than one data collection method. It would not be possible to investigate all the institutional contexts in Europe, as this would not have been practical for a study of this length; therefore it was more realistic to identify cases based on 'ideal types' suggested in the literature (explained in Chapter 2) as a means for comparison. The selection, or sampling of individual cases as part of a case study approach, can be a difficult, yet important, aspect of the research design process (Miles and Huberman, 1994). The selection of suitable cases is crucial for later analysis and generation of conclusions. There are different approaches to the selection of cases - Miles and Huberman (1994) identify strategies for case selection - but most scholars agree that case study research cannot rely on random sampling (Eisenhardt, 2002). Instead it should be purposive (Kuzel, 1992) and theoretically informed (Yin, 2003).

The question of how many cases to select for study remains difficult. While some literature suggests the use of more cases would improve the robustness of research findings (Schofield, 2000) there is a possibility of reaching a saturation point where adding further cases would not add sufficiently to the conclusions. In addition, the availability of researcher time and resources plays an important part in determining how many cases are feasible.

While national temporary staffing industries have yet to be investigated in depth, it was necessary to identify three suitable case studies which were significantly different to make the comparative nature of this study effective. To do this, theoretical sampling was employed, as it is vital that any sampling method is grounded theoretically (Hoggart et al., 2002; Mason, 2002; Cresswell, 2008). Theoretical sampling (sometimes termed purposive sampling) involved the selection of types from which cases could be derived based on
theoretical propositions rather than a random selection of a larger population (Stake, 1994). Selection of cases in a case study approach is not based on the same sampling logic as surveys, where the researcher selects the sample to reflect particular characteristics of the population, and in some scenarios would pick atypical or deviant cases to ensure a wide range of possibilities were covered (Mason, 2002). Under these conditions the case will not be representative of the population as a whole, but will aim to highlight what the study seeks to explain. In this instance, questions relating to the operations of the TSI in three different countries are the phenomena of interest.

By developing detailed knowledge about these three case studies a rich understanding of the context of the research setting and the processes being enacted was developed (Morris and Wood, 1991). The time and resource constraints on this research meant that an appropriate sample of three countries was chosen: the UK, Germany and the Czech Republic. Initial reading on these countries confirmed their appropriate selection, as outlined in Section (3.6). While it is hard to generalise from a single or even a few cases, the same could be said about one experiment, as Yin (2003:12) has pointed out.

As Mehan (1979) points out, the comprehensive nature of the case study goes beyond what is normally demanded of quantitative methods. However, the qualitative nature of much case study research has also received criticism, on the basis that it is not rigorous enough, or objective (Berg, 2004, Miller and Brewer, 2003). These criticisms can be somewhat overcome through triangulation (Stake, 2005). Drawing from Yeung’s (2003) discussion around the benefits of triangulation within research in economic geography, this investigation ensured that both data triangulation (different data related to the same phenomenon) and methodological triangulation (use of different methods of data collection) were employed. As Yeung (2003: 456) argued, ‘the methodological implication is that triangulation is useful insofar as different facets of a concrete phenomenon are researched through the most appropriate combination of research practices’. Triangulation was used throughout this research, often in the form of comparing data from organisation reports and data gained from semi-structured interviews. In some cases viewpoints would reinforce ideas outlined in reports, in others they would conflict – therefore generating further questions. This also enhances the researchers ability to make generalisations about the data, as triangulating data can utilise multiple perceptions to either clarify meanings or verify an observation (Stake, 2005).

The main objective of these case studies was not to describe and explain each case but to ‘confine the attention to those aspects that are relevant to the research problem’ (Stake, 1988: 258), in this case the relationships between actors in the TSI in different contexts and the effect of the wider institutional environment. While it was paramount to emphasise
the nationally distinctive elements of different temporary staffing industries, the objective of the research was to uncover different ways in which the TSI interacts with its wider institutional environment. This leads the research more towards the theory building form of case study; however, having outlined a theoretical framework based in 'varieties of capitalism' it also includes elements of theory verifying concerning the variegated nature of national systems. Through exploratory case study approach (Yin, 1984) the research aims to identify the existence of nationally distinctive temporary staffing industries but also to inform theorisations of the TSI.

4.3.2 Comparative research

Peterson (2005: 257) argued 'comparison is one of the most powerful tools used in intellectual inquiry'. Furthermore, Ward (2008:473) highlighted 'virtually all empirical social research involves comparison of some sort', even if only in the form of comparison of data and results collected to the initial expectations of research outcomes. In the case of this research the comparative element is more explicit in order to provide 'a stronger contribution to the methodological, practical and typological dimensions of comparison' (McFarlane, 2010:727). As discussed in Chapter 2, this research draws on the ideas of comparison of national systems broadly grouped under the term 'varieties of capitalism' which present a range of typologies and taxonomies (Esping-Andersen, 1990; Boyer and Hollingsworth, 1997; Whitley, 1999; Hall and Soskice, 2001a). While these approaches present national variety in different ways, their construction of theories are based on evidence drawn from comparison of different national systems. Comparison therefore forms the basis of the ideas constructed in this thesis, in order to generate knowledge about the different forms of national TSI, learning from the experiences of actors in different kinds of places (Robinson, 2006). Without this comparative element it would be impossible to determine if the features identified in each country were a unique product of national or international institutional arrangements.

The motivation for undertaking a comparative approach stems from the desire to uncover distinct national institutional arrangements set against the common context of Europe. Comparison was deployed firstly as a 'mode of thought' and a 'strategy' for revealing the assumptions, limits, and distinctiveness of particular theoretical or empirical claim, and secondly in order to formulate new lines of inquiry (McFarlane 2010; Spivak, 1993). Comparative research is conducted, according to McFarlane (2010:726) 'in order to fill a gap in understanding; to reveal the distinctiveness of a case; to place a case in a broader context; or reveal the generality or particularity of process or theme'. It is the first two of these objectives which lie at the heart of this research. Tilly (1984) developed a typology of comparative research identifying four main strategies: individualising, universalising, variation finding and encompassing. The first two are at the opposite extremes, where a
pure individualising comparison treats each case as unique, highlighting individualities, whereas the latter two types seek to highlight variation in the character or intensity of a phenomenon by examining systematic differences among them. In this research the intention was to make a comparison of the individual institutional contexts for temporary staffing in three different political-economic systems. As such, this constituted a variation finding form of comparative research. Without the 'comparative imagination' (Ward, 2008) a single case study would not have allowed different kinds of research questions to be addressed, or even to determine if indeed there were distinct forms of a national TSI.

The comparative case study method is the broad heading for the methodological strategy employed in this research, even though it encompasses a range of data collection techniques. In this research the approach consisted of several stages with data collection techniques – documentary analysis and interviews. A triangulation of these methods confirms the qualitative nature of this research approach (although quantitative data was also gained through these methods). Research began with extensive documentary analysis to inform initial stages of institutional mapping, a process explained in the next subsection, followed by a series of interviews alongside further documentary analysis as further sources were unearthed, both of which then fed in to the final analysis.

4.4 Data collection techniques

4.4.1 Documentary analysis

Documentary analysis (of both qualitative and quantitative information) played a key role in the research as part of the triangulation process (Symon and Cassell, 1998). It was particularly important in the initial stages to identify important institutions in each temporary staffing industry (TSI), and later in the research to verify data obtained from interviews. During the construction of a theoretical framework and development of a methodological strategy, an element of documentary analysis was required. This contributed to the selection of cases, and as such played an exploratory role. Once these cases were chosen and further documents were collected the role of this analysis extended.

Data from the global trade body Ciett, (2009b; 2010b; 2011) as well as from national data sources, including general characteristics of the TSI, provided evidence of changes to the market in terms of size and characteristics. This also helped confirm the cases chosen would be worthy of study, based on the changes to the size and shape of the industry. Reports produced by national trade bodies also presented detailed information relating to the background of the cases and their relationship to the European context. The first phase for each case study involved collecting various quantitative data sets, which
allowed profiling of labour market change and the development of the temporary staffing
industry. This allowed the identification of key firms and institutions later used as points of
reference for beginning the interviews in the next stage of the research.

Preliminary analysis allowed the identification of relevant actors for the TSI in each
country, contributing the initial formation of an institutional map which would then act as a
guide for interview selection. This would also highlight features of each TSI, and issues
which could guide the interview questions in later stages. As research progressed and
interviews were conducted, further documents were collected, and their findings
integrated into the research. The type of data collected in this method was largely a
collection of corporate and institutional documents which predominantly came from three
categories: those representing the TSI (agencies, trade associations), European
institutions, and national institutions. Throughout the research process a range of other
secondary data documents were acquired, collected at meetings, corporate seminars and
via the media (particularly from daily bulletins produced by Staffing Industry Analysts and
Recruiter - two of the largest industry commentators with regular publications). These
documents provided supplementary evidence to the initial data analysis and the data
gathered through the interviews as an important part forming the comprehensive case
studies. The interrogation and analysis of these secondary sources allowed a great deal
of information to be extracted about the TSI and informed the ‘institutional mapping’ stage
of the research, allowing the initial identification of the key actors and institutions. Where
possible, secondary data on the TSI collected in the early stages of research was updated
in the final stages of analysis.

As with any research method, it was important to consider the validity of the data gleaned
from these documents. Data was considered according to its source of origin (to consider
bias), and consequently its representativeness, authenticity, and its contribution to the
study (Punch, 1998; Bryman, 2004). Careful examination of each document was required,
not only for its content, but any underlying motive or bias. Corporate documents have a
tendency to display positive aspects of an industry, while institutional documents may
have an underlying political agenda (Robson, 1993). A good example can be seen in the
Ciett documents, particularly with graphical representations of data, where scales may be
skewed and as such give an unreasonable representation of data, or some countries may
be omitted to display the desired patterns in the data. Discussion tends to be only on the
positive nature of industry development. While some documents may contain biased
data, and the process of analysis itself may be time consuming, using these techniques
was particularly important for this research. A combination of documentary analysis with
interviews represented an efficient mixed methods research approach (Kvale and
Brinkmann, 2009). Through processes of triangulation (Punch, 1998), the use of
documentary analysis can somewhat compensate for the disadvantages of interviews and vice versa.

### 4.4.2 Institutional mapping

Institutional mapping, a method rarely explicitly used in geography (or the social sciences), but widely used in policy-making (Aligicia, 2006) was critical in this research to provide insights into institutional and governance structures for national temporary staffing industries. Changes to the wider labour market and economy can be influenced by the activities of relevant institutional actors. Mapping the existing influences exercised by the relevant institutions represented a key stage in this research. Institutional mapping links issues around temporary staffing with processes, structures and outcomes of decision-making from identified stakeholders with varied roles within the system.

According to Aligicia (2006) there are several key principles to institutional mapping. Firstly, information gathered can be drawn from existing studies and official documentary and other secondary sources. Secondly, mapping consists of a time and labour intensive exercise, requiring an awareness of differences in socio-economic-political systems. Institutional mapping acts as a step in exploring space for institutional reform, organisational change or as a method of establishing the key stakeholders and relationships in a system. Thirdly, an awareness of history is vital; prevailing concerns and issues from the past can be reflected in definitions or terms in regulations, and in the actions of institutions. Institutional mapping therefore provides insights into the relations between stakeholders including those formally and informally involved in the TSI and the users of its services.

As outlined in Chapter 2, a defining feature of national systems is the presence of, and the relationships between, institutions. Institutions are a useful practical tool to explore the constitution of a national system. Analysis of the secondary data collected from various sources contributed to an understanding of the different institutions involved in each of the chosen temporary staffing industries, and began to identify ways in which they are connected. Through combination of this data with information from policy documents, professional body publications (e.g. Ciett, 2009b) and any other documents collected (newspaper and magazine articles), relevant institutions in each national market were identified. This process allowed the institutional arrangement (as defined in chapter 2) to be 'mapped' for each different country.

For the TSI, institutions can also refer to organisations, the physical embodiment of an institution: such as organisations that hold a regulatory role in the temporary staffing market, (examples include the Employment Agency Standards Inspectorate in the UK); or
those that were able to clearly articulate their interest in the industry (such as the Recruitment and Employment Confederation in the UK). These named entities were recognised to have influence in relation to the temporary staffing market. However, the focus was not whether institutions, or which institutions, matter, it was how they mattered, and this aspect remained the focus of this thesis. Institutions are shaped by their historical, geographical and political contexts (Schmid, 2004) and therefore the institutions involved in the TSI and the relationships between them were different. 'Mapping' represents a metaphor for the exercise of exploring the institutional arrangements in each national system, and there are a number of parallels with geographical mapping: important actors are identified, relationships between actors are explored and geographical or functional boundaries are highlighted (Green, 2007).

Policy and practice exist in a constant state of flux, so it is necessary to obtain an awareness of what changes were being contemplated. Despite this awareness of potential change, an institutional map will only ever display a snapshot of institutional arrangements at a particular time. The development of an institutional map was an iterative process, which continued throughout the interview and analysis stages of the research. The important aspects gained from the initial stages of institutional mapping focused around the identification of broad groups of actors in each market, later used as categories for interviews. The institutional maps in this thesis identified which institutions were key to the particular national temporary staffing industries, informing choices around those to contact for initial interviews. Once analysis had been completed and the institutional maps were finalised these also act as a further point of comparison. Each institutional map is presented at the beginning of the respective empirical chapters (5, 6 and 7).

4.4.3 Qualitative interviews

This institutional mapping phase highlighted the dominant institutions in the TSI for each case, but in order to gain a deeper understanding of the particular relationships between these actors, qualitative interviewing offered the most appropriate method of enquiry. This allowed the research methods to move away from solely relying on the things that count and could be counted (Philo, 1988), moving to understand 'people's perceptions, meanings, definitions of situations and constructions of reality' (Punch, 1998). Interviews consist of 'conversations with a purpose' (Webb and Webb, 1932) and therefore became 'construction sites' of knowledge (Kvale, 2007).

The semi-structured qualitative interview is a common qualitative method employed in social research, particularly by economic geographers, and is increasingly recognised as a suitable method for interacting with firms and organisations (Healey and Rawlinson, 1993; Schoenberger, 1991; Del Casino et al., 2000; Henderson et al. 2002). The use of
in-depth qualitative interviews as an appropriate research technique in geography has been subject to much discussion (see Schoenberger, 1991; McDowell, 1992b; Herod, 1993, 1999; Ward and Jones, 1999). This research method offers a number of advantages, particularly in economic geography (see Schoenberger, 1991; Yeung, 1995; Tickell et al., 2007). Surveys and questionnaires are considered indispensable as a tool to acquire primary data by some scholars (Parfitt, 2005), but are more suitable whereby questions remain standard for all research participants; such uniformity then generates data which can be used for statistical analysis and comparison. Interviews are more sensitised to the complexity of institutions and the relationships which are important defining factors in their feature. Furthermore, different kinds of information can be accessed in an interview than through a survey (Schoenberger, 1991; Oinas, 1999; Tickell et al, 2007).

As Yin (2003: 89) summarises, semi-structured interviews provide the opportunity to 'a) follow your own line of enquiry and b) to ask your actual (conversational) questions in an unbiased manner that also serves the needs of your line of enquiry'. Consequently, as Rubin and Rubin (1995) suggest, interviews are likely to be more fluid than rigid, and more conversational than structured. This allows researchers to 'understand how individual people experience and make sense of their own lives' (Valentine, 2005:111). Semi-structured interviews elicit in depth responses, which include nuances and contradictions, while also providing an interpretive perspective of the participant. These are more sensitised to the complexity of institutions and the relationships which are important defining factors in their feature. This means that different kinds of information can be accessed than would be available through a survey (Schoenberger, 1991; Oinas, 1999). Qualitative interviews present an opportunity to investigate phenomena in depth, uncovering observable processes and relationships, which is compatible with the realist approach in the social sciences (McDowell, 1992b).

Kvale (1996) suggests seven stages to the interview process – thematising, designing, interviewing, transcribing, analysing, verifying, and reporting. Thematising involved clarification of the key themes of research, which was largely informed by background research to develop a theoretical understanding of the research area. Combined with knowledge from existing research on the subject area and preliminary documentary analysis, research questions were generated which pointed to large themes which would run throughout the research. Designing involved choosing a suitable form of interview and creating interview outlines which would address the research questions and prompt topics of discussion that would generate appropriate knowledge. The latter stages suggest by Kvale (1996) are discussed in the remainder of this chapter.
According to Fontana and Frey (1994) there are three different forms of interview, depending on their level of structure: unstructured, semi-structured and structured. The choice would greatly affect not only the form of data collected, but also the kind of knowledge that would be generated (Rubin and Rubin, 1995). The choice to conduct semi-structured interviews in this research was based on the premise that these interviews were required to uncover knowledge that was not necessarily in pre-defined areas known to the researcher. A structured interview would limit the kinds of knowledge which could be generated and the topics covered. Given the nature of this research was to uncover different arrangements of institutions, limiting questions would likely hinder the ability to do this. The semi-structured nature of the interview meant that each interview included open-ended questions which could be led in a multitude of directions dependent on the interviewees' knowledge (Minichiello et al., 1990; Punch, 1990; Fontana and Frey, 1994).

As aforementioned, this research was designed to uncover distinct national institutional arrangements, and while secondary data analysis and initial institutional mapping provided a good base for beginning comparison of the three cases, a much greater level of detail was needed in order to understand more fully the key actors and their relationships in each TSI. Semi-structured interviews, therefore were used to explore each case in more detail, and provided the data to expand the institutional map and begin to understand the relationships between actors. Patton (2002) suggests an interview guide approach where an interview schedule is created to guide the conversation, but not restrict it. In this research an interview schedule was created for each of the categories identified in the institutional mapping stage (see Appendix 2 for an example). This was designed to allow for a comparison between institutions across countries. While key questions were included in each schedule, more specific questions were included which related to the actors institutional place.

However, responses could then generate further questions, and in addition, as further issues arose the schedule could be modified for future interviews. Different questions across institutions, and countries did not however mean comparisons could not be drawn. In some cases questions were not appropriate due to different national institutional arrangements, and this in itself was revealing. For example, in Germany trade associations and agencies were less concerned about the European Agency Workers Directive because collective bargaining arrangements were already in place, therefore less questions in the schedule revolved around this topic compared to the UK where this was a prominent issue. This research was not trying to identify the same features in each case study, it was trying to identify the complex interactions in each national system, therefore comparison could be drawn from any features identified from these interviews. It
was not necessary to include the same questions in all interview schedules, as this would not generated useful data in some cases. As is typical in semi-structured interviews, some questions were either included or omitted depending on the context of each participant, highlighting the benefit of this method which allows for a reflexive approach to the generation of questions for a range of research participants (Alvesson and Skoldberg, 2009). Aside from the specific questions, which would in some cases be relevant for particular institutions, decisions on the sample of interviewees and practical arrangement regarding the time, place and format of the interview fed into a specific research design. Using semi-structured interviews with key themes and suggested questions as a guide is particularly beneficial for exploratory research as it allows for the emergence and exploration of points that may not have been considered by the researcher (Gerson and Horowitz, 2002). An example of this can be drawn from the German case study where questions were included in relation to an important relationship in the German TSI, the collective agreements between trade unions and trade associations. As Cloke et al (2004:129) highlight: 'data are co-constructed as interviewer and interviewee work their way through questions that began as the "property" of the researcher but which become co-owned and co-shaped in the unfolding interactivity of questioning, answering, listening and conversing. Here, the original scheme of intended data construction can be diverted or even subverted by both the researcher and the researched'.

Establishing participants for semi-structured interviews constituted a key part of ensuring the development of this research. While much of the literature on qualitative interviews as a research technique focuses on the interview itself, little guidance is provided concerning accessing research participants (see for example Hoggart et al., 2002; Flowerdew and Martin, 2005). It is vital in case study research to access appropriate participants, whose institutional identity was relevant to the line of enquiry (Yin, 2003). Selection of interviewees for this research was largely informed by the institutional mapping stage of the research with documentary analysis to identify representatives from each relevant group in each country. While every effort was made to ensure similar numbers of interviewees were drawn from institutions across countries, the existence of different institutions in some cases meant that this was not always uniform.

Based on these institutional maps, five categories of interviewees were identified: government representatives, trade unions, trade associations, domestic agencies and transnational agencies. Developing a rigid sampling frame for interviews, particularly in the political and economic realms would have been extremely restrictive for the research (Yeung, 1997; Curtis et al, 2000). This study necessitated that the sample population should have knowledge and experience of the subject matter, in order to map out the structure and relationship between actors in the national system.
Kvale and Brinkmann (2009) recommend around 15 interviews for a sample from each case, and this was the target outlined in the initial research strategy. Rather than the number of interviews it was important to address all the categories identified, and have as many institutions as possible, in order to present a representative analysis of the national system. Interviewees were contacted via email with a short summary of the research and a request to be interviewed at a time and location at their convenience. In most cases a positive response was received, although in the UK case, for a number of domestic agencies there was no response and follow up phone calls to make enquiries were not successful. In some cases, where the interviewee communicated with the researcher through a personal assistant, a list of questions was requested in advance. This did not limit the interview content as in all cases the interview outline acted as a starting point.

The identification of further appropriate individuals was an iterative process. Therefore, where possible further contacts were identified from the acquaintances of those interviewed in order to develop the sampling frame further (Hartley, 1994; Silverman, 2010). This technique of snowballing is a method for gathering data from a small sample population (Sarantakos, 2005). Employing this snowballing technique ensured that actors, which may not have been equally represented in the documentary analysis/institutional mapping phase, were included in data collection, and this way good examples for study could be recognised, along with 'good interview subjects' (Patton, 1990:182). This represented a further route of access to research participants, aside from people contacted directly as a result of documentary analysis, potentially providing access to groups of participants which would have otherwise been hidden. A potential problem with this strategy to access participants is that the selection may have become biased based on the networks of participants I accessed. In order to try and reduce these potential biases, snowballing was used alongside identification of potential participants from secondary literature and contacts gained through attendance at TSI seminars. Furthermore, to aid purposes of comparison efforts were made to try and access similar participants across the case studies. For example a trade association representative in the UK provided contacts for their equivalents position in trade associations in Germany and the Czech Republic.

In addition to the interviews conducted with national institutions in the case study countries, a number of contextual interviews with European institutions also took place. These were useful for identifying further participants in each country from similar kinds of institutions (e.g. a representative from each trade association). In particular an interview with a professional from a European recruitment trade body aided the identification of a suitable representative from national trade associations. In turn this first interviewee acted
as gatekeeper to further participants in both Germany and the UK. In total, 82 interviews were conducted, summarised in Table 4.1 (all interviewees have been anonymised). For a full list of interviewees, including their institutional position see Appendix 1).

Table 4.1: Research interviews

<table>
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<tr>
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<th>European Institutions</th>
<th>United Kingdom</th>
<th>Germany</th>
<th>Czech Republic</th>
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<td>-</td>
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<tr>
<td>Transnational Agencies</td>
<td>-</td>
<td>5</td>
<td>3</td>
<td>3</td>
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<tr>
<td>Domestic Agencies</td>
<td>-</td>
<td>3</td>
<td>5</td>
<td>7</td>
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<tr>
<td>Trade Associations</td>
<td>3</td>
<td>4</td>
<td>3</td>
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<td>Trade Unions</td>
<td>2</td>
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<tr>
<td>TSI Commentators</td>
<td>2</td>
<td>5</td>
<td>5</td>
<td>3</td>
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<td><strong>Total</strong></td>
<td><strong>10</strong></td>
<td><strong>25</strong></td>
<td><strong>24</strong></td>
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Source: Author.

It is argued that participants prefer to be interviewed rather than fill in a questionnaire, as face-to-face contact with the participants provides the opportunity for the researcher to give assurance about the anonymity of the research (Healey, 1991; Kvale, 2007). Indeed, in the case of potentially confidential data, participants may have been reluctant to provide such information had they not been in dialogue and actually met the researcher in person (Keating, 1995; Rice, 2010). All but one interview were conducted in this manner. The one exception was with an EU institution, due to the researcher being stranded in the USA as a result of the eruption of the Eyjafjallajökull volcano in Iceland, which was conducted via Skype. Where possible, and with participants’ consent, interviews were recorded via a digital Dictaphone and lasted on average 45 minutes. Recording interviews meant that even if participants spoke rapidly, taped interviews allowed freedom for the researcher to take notes, as well as allowing transcription to take place after the interview (Wengraf, 2004). Using a Dictaphone provided the advantage that the interview could be captured totally, apart from the body language which could be noted down during the interview (Hycner, 1985).

All of the interviews took place at the participant's place of work, to ensure complete convenience for the contributor, but also suitable surroundings – such as a quiet office or meeting room - for the interview to take place. This location of the interview is significant as Elwood and Martin (2000:649) highlight: ‘the interview site itself embodies and constitutes multiple scales of spatial relations and meaning, which construct the power and positionality of participants in relation to the people, places, and interactions discussed in the interview’. In all cases interviews were transcribed immediately after they took place, along with detailed notes about the interview. This was to ensure that data and details was transcribed and recorded accurately while they remained in recent memory (Wengraf, 2004). This also allowed for progression during the fieldwork stage, and the
addition of further ideas and issues that arose in interviews as different perspectives/details/concepts came to light, and questions could be improved or changed as necessary.

4.5 Considering analysis, positionality and research

4.5.1 Elites, corporate interviews and corporate cultures

Interviews largely took place with representatives from organisations and institutions connected to firms and the labour market and as such fall under the umbrella of corporate or elite interviews. Yeung (1995) highlights the suitability of qualitative interviewing as a tool to explore the interconnections between firms and the decisions behind business development, in contrast to many business research academics who tend to adopt a more guided check-list approach to obtaining information (Bryman and Bell, 2006). The nature of the organisations involved in the TSI, and the business led nature of the research meant that many subjects involved in interviews could be considered ‘elites’ (Smith, 2006).

The use of interviews with elites, in particular corporate elites, in human geography is well established (Schoenberger, 1991; Yeung, 1995; Clark, 1998; Ward and Jones, 1999; Smith, 2006), although a number of challenges emerge that aren’t necessarily experienced in interviews with other groups, most notably issues of access and power relations between researcher and participant (see Rice, 2010).

The term ‘elite’ generally defines people in society who command a superior level of power or privilege compared to other members of society, for example those in powerful managerial positions or roles with a high level of responsibility such as CEOs or government ministers (Woods, 1998). Welch et al (2002:613) however, offer a definition of an elite interviewee in international business as an ‘informant (usually male) who occupies a senior or middle management position and has functional responsibility in an area which enjoys high status in accordance with corporate values; has considerable industry experience and long tenure with the company; possesses a broad network of personal relationships and has a considerable international exposure’. This definition provides some practical advice on identifying elites. In reality, to be elite will mean different things in different occupations or sectors (Woods, 1998), for example, the ‘business barons from the private sector’ (Rice, 2010:71). Cormode and Hughes (1999:299) highlight that researching these powerful elites presents different ‘methodological and ethical challenges’, particularly the ways in which these elites can be accessed, and the importance of the researchers’ positionality (Smith, 2006).

Interviews can host a variety of different power relations dependent on the position of the researcher and the interviewee. Any research must take into consideration the position of
the researcher in relation to the object of study. Conducting interviews in the territory of the elite, the power balance of the interview is skewed towards the participant, which highlights the skills required to conduct elite interviews in order to undertake 'self positioning' (Herod, 1999) and manipulate the 'gap' between elites and the researcher (Moss, 1995). Elites tend to be 'accustomed to being in control and exerting authority over others', and as such the corporate interviews can potentially be used as a site for them to follow their points of interest (Schoenberger, 1991: 182). The corporate interview therefore can be a site of continued 'negotiation or struggle about power and control in every interview' (Schoenberger, 1992: 217). Potential strategies for ensuring the researcher retains as much control have been suggested by Schoenberger (1991) primarily to have a good knowledge of the points of discussion in the interview and to be familiar with relevant terminology. As will become clear when reading the empirical chapters of this thesis there is a very large number of acronyms for various organisations or regulations in use.

The issue of power and control were particularly pertinent given that the majority of interviews in this research were conducted with those termed 'elites' and required constant consideration throughout the research process, particularly regarding the agenda and content of the interviews. As many of the interviewees were extremely busy people, their attention was often not fully on the interview content itself but on their personal work schedules. For example, in a government department the interviewee was due to submit a brief to a Minister by 3:00pm that day and her urgency to finish the interview was quite clear. Another issue was to ensure the agenda of the interview did not skew to areas they were particularly interested in. This was a particular issue for interviews conducted in the UK, as at the time of fieldwork the Agency Workers Directive and its potential impacts was still being hotly debated between actors in the TSI. And while the importance of regulation on the national system was a feature of this research, at times it required a series of questions or comments which would steer the conversation away from just regulation and into other aspects of the TSI. Where possible industry-specific terminology was used in order to demonstrate the researchers' knowledge, in an effort to encourage knowledge sharing from the participants.

The power relations during an interview differ each time, dependent on the interviewee, but can be affected by gender relations as well as class, nationality and other facets of identity (Schoenberger, 1992; Smith, 2006). Schoenberger (1992) argues that often there is no significant gap in terms of class between academic research and corporate interviewees, and indeed this was not perceived to have any observable impact on the research. While the research was conducted in a number of countries, the researcher's British nationality had no observable impact. As a young female researcher, operating in spheres dominated by largely middle aged white males, this was a more pertinent facet of
positionality which required consideration. Of the interviewees, all but five were male, and while this issue of gender was present, it was by no means a defining factor of how the interviews progressed, as the researcher followed the strategies suggested by Schoenberger (1992) regarding display of understanding and terminology.

In order to access a variety of viewpoints from actors across the TSI it was not a case of accessing interviewees who were the 'higher the better' (Welch et al., 2002: 626) in the TSI, but rather those actors who played a role in the industry and therefore selected on the basis of their privileged knowledge rather than their status as an 'elite'. It is noted how business and organisational elites can be difficult to access (Desmond, 2004) and other practicalities of access required consideration (Schoenberger, 2001). For example government ministries were much less accessible in the summer months due to vacations. This last practicality could be mitigated somewhat by efficient organisation and awareness that seasonality may affect the availability of some research subjects. With respect to initial access to elites, there have been some suggestions by scholars about how to address this (McDowell, 1998). One strategy to access research participants is to have a port of entry to the environment of the elites (Smith, 2006), usually best conducted through a sponsor (Welch. et al., 2002). As this PhD research was linked to a CASE partner - the temporary staffing agency Adecco’s Research Institute - it was hoped that it would be possible to utilise their 'insider knowledge' to identify some of the initial respondents. A further access strategy involved using an exploratory interview with a staffing industry commentator to highlight further contacts, essentially using this first interviewee as a gatekeeper (Hoggart et al., 2002).

Interviews for this research were carried out across Europe, and therefore it is necessary to consider issues regarding 'foreign' (Herod, 1999) and 'local/domestic' (Cochrane, 1998) elites. Herod (1999: 315) highlights that even the most basic issues can become complicated, as 'in practice simply arranging an interview can itself be an extremely challenging ordeal'. Fortunately, in dealing with elites, some of the issues regarding foreign interviewees including unfamiliarity with cultural and organisational structures were generally not experienced. In all but two cases, interview participants had a good level of English; consequently interviews were conducted in English. In the two cases where an interpreter was needed (one Czech trade union and one Czech domestic agency), an individual was suggested from within the same organisation so they would have had a similar level of knowledge and understanding as the interview participant.

A further issue requiring consideration relates to the cross-national nature of this research: the difference between national corporate cultures, whereby culture is seen to influence managerial behaviour and views (see Sekaran, 1983; Hofstede, 1984; Schneider, 1988;
Ralston et al 1997). This was of particular interest for transnational agencies where their branches were embedded in different national cultures, where the underlying assumptions about people, cultural norms, and values may differ from that of the corporate culture of the transnational company (Schneider, 1988).

4.5.2 Incorporating an internship

Before moving on to issues of data analysis, consideration of an internship completed by the researcher in the summer of 2010 is necessary. This internship was part of a scheme open to ESRC-funded PhD students. The three month internship at the Better Regulation Executive (BRE) in the Department for Business, Innovation and Skills (BIS) provided several benefits for this research: experience in a policy environment outside of the academic sphere; an insight into the regulatory processes that take place in government; and an avenue to develop further contacts within areas of labour market regulation. On applying for the internship the researcher had already completed several interviews with representatives from BIS which revealed they were centrally involved in one of the upcoming regulations relevant to the TSI in the UK, the Agency Worker Directive (AWD). The internship was a further strategy to develop an understanding of the UK case study through developing a position as an ‘insider’ (Herod, 1999). The internship was an invaluable experience as it provided an avenue for greater understanding of government regulations (and regulatory bodies) in the UK, but also provided access to a wealth of data, including transcripts from government question sessions, and reports on the labour market that would have otherwise been difficult to access.

Insider research involvement has been subject to much debate, particularly concerning the impact of the researchers presence on the data collected, and the extent to which working ‘within’ skews the viewpoint of the researcher (Robson, 2002; Munro et al., 2004; Mercer, 2007). Some scholars argue that validity for an ‘insider’ becomes increasingly problematic because of the researcher's involvement with the subject of study. Due to this involvement, the researcher is no longer ‘objective’ and their results may be distorted, threatening the validity of insider research (Kvale 1995). However, in this case researching from within a government institution not only allowed access to some contacts that would not have otherwise been possible, but it allowed a greater understanding of the processes of consultation, and developments in government legislation which were important for the UK case study. Taking inspiration from Eisner (1993: 54) that ‘there is no single, legitimate way to make sense of the world. Different ways of seeing give us different worlds’, and access to a different world of working within government allowed a different ‘way of seeing’ (Rose, 1997). This facilitated a greater understanding of the role of government institutions in the TSI.
4.5.3 Data analysis

Methods of data collection and data analysis are not mutually exclusive (Sarantakos, 2005); the two processes overlap. Attempts to analyse data occurred simultaneously with the data collection stage, in a process designated as explanation building (Yin, 2009). The process of this iterative methodological framework is displayed in Figure 4.1. A key feature of case study research is the question and answer cycles which are modified on the basis of subsequent findings (Yin, 2009).

Figure 4.1: Processes of data collection and analysis

Kvale (1996) identifies three key stages to interview analysis in particular: transcription, analysis and verification. Analysis of the research findings was conducted throughout the research process, although intensified when data collection was complete. Interviews were transcribed as soon as possible after the interview, and each took between eight and ten hours to transcribe. The audio files were also listened to several times following each interview as a strategy to ensure a rigorous approach to analysis and accuracy of the interpretation (Baxter and Eyles, 1997). This also presented the opportunity to hear the recording in entirety and become acquainted with the data in-depth (Wengraf, 2004). This allowed for research findings to feedback into interview outlines and lines of enquiry, as indicated by the feedback loops in Figure 4.1.

Analysing data lies at the heart of the process of building theory from case study research (Yin, 2009). Undoubtedly it is the most challenging and least codified part of the process: ‘one cannot ordinarily follow how a researcher got from 3600 pages of field notes to the final conclusion, sprinkled with valid quotes’ (Miles and Huberman 1984:16). In combination with documentary analysis a series of stages took place for analysis of the
interview data. The first, data reduction, involved editing, sorting and summarising the data. This involved coding of primary and secondary data, a process of labelling sections of data according to key ideas, themes, and actors in order for patterns to be identified from the content. The second, data display, involved organising the data and finding methods to present it. The third, drawing conclusions, involved using them to then develop concepts and ideas. This framework involved ‘the systematic examination of similarities between cases to develop concepts’ (Punch, 1998:201). A case orientated strategy allowed comparison between the institutional arrangements of the labour markets in a process of cross case analysis. The cases were inspected to identify any similar patterns (Yin, 1984). This was a continual process throughout the research collection and analysis phases whereby gradually these data assemblies became more conclusive (Huberman and Miles, 1985). For this research, a key point of comparative analysis was to identify if the same institutions were in place in each country and what implications this had for the labour market.

Analysis of data and the writing process cannot be clearly separated: ‘writing and analysis comprise a movement between the tangible and the intangible, between the cerebral and sensual, between the visible and invisible. Interpretation moved from evidence to ideas and theory, then back again’ (Okely, 1994: 32). Working through the secondary sources and interview transcriptions, ideas and evidence emerged, identifying the defining features of each national system. While the questions in the interview outline were based around themes, the dominant themes emerged during the writing process. As Okely (1995:20) argues ‘the fieldworker cannot separate the act of gathering material from that of its continuing interpretation. Ideas and hunches emerge during the encounter and are explored or eventually discarded as fieldwork progresses. Writing up involves a similar experience’ (Okely, 1994:20-21). Through systematic analysis it was ensured that an analytical framework was followed in order to minimise assumption and bias whilst ‘maintaining a balance among the attributes of creativity, rigour, persistence, and above all, theoretical sensitivity’ (Strauss and Corbin, 1990:58).

4.5.4 Positionality and ethics

Research in any discipline does not take place in a vacuum, it is embedded in the wider context of its remit. It is important to recognise the positionality of the researcher, and any potential underlying power relations between the researcher and participants embedded in the interview process. Individual researchers bring a specific ontology to their research. It is impossible to completely eradicate personal beliefs and opinions, if only on a subconscious level. As Bourdieu highlights, the ‘epistemological state of perfect innocence’ (1996:18) is impossible to achieve, but one can undertake a reflection on one’s position as a researcher in order to minimise the effects of such subjective influences. All
research is to some extent contaminated by the values and beliefs of the researcher. It is important that the research methodology is constructed rigorously to reduce the room for criticism, and ensure that reliability and validity are key issues addressed throughout. As Yeung (1995: 230) has argued, awareness is needed of the 'relative advantages of different methods and how to use them discriminately, and flexibly, under different research contexts' to ensure that reliability is maintained. Collecting multiple sources of evidence and conducting contextual interviews preceding the main case studies helped to reduce the level of subjective perspective within this research (Yeung, 1997).

Characteristics including race, class, gender, age, appearance, and in the case of this research, understanding of language, all represent important features which can influence this positionality (Cochrane, 1998). As a young female researcher interviewing elites, it is important to recognise the influence this may have had on information the respondents released, particularly as gender is thought to be an important factor in elite interviewing (McDowell, 1997; 1998). To somewhat overcome any potential concerns over the power relationship between the researcher and the subject, it is important that enough preparation was completed for each interview to be able to explore the issues outlined in the plan for the interview effectively (Hoggart et al., 2002). It is crucial to consider one's positionality and be aware that this may shift as the research progresses and moves between different research environments. This is particularly relevant for the interview stage of this research, as it could be affected not only by the researcher, but the research subject, and the topics covered in the interview.

The interactions between interviewer and participant can differ between interviews (Yin, 2009). As Clark (1998) highlights there can be different types of interviewees, who enter into different forms of close dialogue depending on their own positionality and agenda. A further reliability issue relates to situations where more than one view was uncovered from the same organisation (such as a transnational agency), where each interviewee provided their own take on reality. In these cases, it was necessary to cross-reference statements with secondary data sources, or further interviewees. The act of discussing the potential influence of these issues is intended to try and reduce such effects by displaying an awareness of these issues (Herod, 1993). In any case, there are aspects of the interview that the interviewer can never wholly control. The unpredictability of the interview, however, makes it an interesting research technique (England, 1994).

In order to foster reliability in research it is essential to make the steps as operational as possible, including evidence and documentation of procedures so another investigator would go through the same processes (Hycner, 1985). A concern in this case is the use of semi-structured interviews impinging upon reliability (Robson, 1993), but variations in
interpretations in qualitative research are not the prime consideration as long as they truly reflect the essence of the phenomena as experienced by the participant of the study. Furthermore, semi-structured interviews are not necessarily intended to be repeatable, as they reflect a reality at the time they were collected (Marshall and Rossman, 2010).

Through triangulation of data, every effort was made not to misrepresent data, and any evidence used throughout the thesis is fully referenced and acknowledged. Reliability was also enhanced in the interview process by the researcher personally conducting all the interviews (Kvale, 2007). In a further attempt to establish credibility and minimise bias, participants were supplied with relevant information with regard to interview themes, enabling them to consider the issues to be discussed, and also to allow the opportunity to gather supporting documentation where appropriate.

During the fieldwork stage of the research an awareness of the potential influence of having a CASE partner, the Adecco Institute, was necessary. This was important concerning the willingness of participants to be involved (particularly those from other transnational staffing agencies). Efforts were made to ensure that the research was not misrepresented as research conducted for the Adecco Institute, through the way introductions were worded, and crucially with emails sent from a University of Manchester email. While initial emails to potential participants did not explicitly state that the research was funded by the Adecco Institute, the research summary attached to the email did include the Adecco Institute logo. In only one case was the relationship questioned (a national manager for another leading transnational agency). Once an explanation that the research was only part funded by the Adecco Institute was given, and that the research essentially belonged to the University of Manchester, the participants remained happy to take part. Nevertheless, it was possible that this participant perhaps did not divulge as much information about the agency than if those links with the Institute had not existed.

The research adhered to the ethical rules and procedures produced by the university. During the interview process, a series of measures were in place to ensure compliance with ethical procedures (McQueen and Knussen, 2002; Kvale and Brinkmann, 2009). When meeting an interviewee, they were provided with a research summary and participant information sheet in which the ethical approved status of the research was stated and confidentiality of the interview material was guaranteed. In addition to the request for permission to record interviews, there are some other ethical issues which require consideration, namely informed consent and the process of ensuring anonymity (Harvey, 2001). All research participants received information about the research, including information about informed consent in line with university ethical guidelines. To ensure agencies and interview respondents remain anonymous names have been
removed and pseudonyms attached to any quotes or references from interview transcripts. Participants were also asked permission to record the interviews, in no circumstances was permission denied, although in one case a request was made that the direct quotes were not to be used with the name of the participant. This was not an issue, as during analysis transcripts were anonymised.

4.6 Summary

This chapter has provided a detailed outline of the methodological strategy used in this thesis. A discussion of the philosophical approach to the research was followed by a consideration of research methods and how these were applied in this research. Both qualitative and quantitative data was generated as part of an exploratory case study approach. Through the combination of a series of semi-structured interviews, and a wider variety of secondary data it was possible to explore in-detail the roles of different actors in the TSI in the three countries, uncovering their defining features, providing evidence for the concept of a national TSI. Ultimately, the strength of the methodological process deployed lies in the triangulation of data from documentary analysis and semi-structured interviews forming an institutional map of each system and developing an understanding of the key actors and relationships in each. The methodological strategy for this research was designed in order to focus on gaining intensive detail, and a deeper understanding of national temporary staffing industries.

The following three chapters utilise the data discussed here to explore the institutional landscape for the TSI in these countries, exploring key institutional arrangements and roles played by different actors, and the nature of the relationship between them. Chapter 5 considers the case of the UK, a country with one of the most mature temporary staffing industries in the world. Here, temporary staffing agencies sought to engage with other actors to justify their position as legitimate employers in the labour market. Chapter 6 explores the case of Germany, where developments with trade associations, and the process of developing collective agreements have led to significant changes in the TSI. Chapter 7 provides evidence from the Czech Republic, where the TSI remains in early stages of development and the institutional arrangements for the industry are very much still being established. Overall, what is seen through these three chapters are fundamental differences not only in the size and form of the TSI but inherently different relationships between actors, which determine the overall operations of the industry.
5 The UK temporary staffing industry: fragmentation, competition and re-regulation

5.1 Introduction

Temporary agency work (TAW) has a long history in the UK, dating back to the early twentieth century (Storrie 2002). It has experienced significant growth since the 1990s driven by increasing demand for a more flexible workforce, and the expansion strategies of many temporary staffing agencies (Ward, 2003; Forde and Slater, 2005, 2006; Coe et al., 2007a). With such a long presence compared to elsewhere in Europe, a diverse temporary staffing industry (TSI) has developed covering many sectors of the labour market (Forde, 2001) which contributes to a market value of £19.9 billion in 2010 (REC, 2011). In the same year TAW represented 3.0% of all employment which was twice the European average (1.5%) (Ciett, 2012).

The key actors and institutions in the UK TSI are displayed in Figure 5.1. In this system the state has been required to introduce re-regulation to the UK labour market due to developments in EU legislation. Welfare provision in the UK increasingly focused on providing assistance into work, culminating in public-private partnerships with temporary staffing agencies. Trade associations and unions alike remain active in lobbying for their interests and, in turn, have influenced both the European and national legislation which affects the TSI. The UK TSI remains highly fragmented, with the top 10 agencies in 2010 – predominantly large transnational agencies - representing only 20% of the total TAW market (Keynote, 2011). Compared to elsewhere in Europe, the relatively long presence of the TSI in the UK has allowed the industry to mature in terms of size, form and role in the labour market, leading to a number of key institutional relationships. The complex nature of this system and the variety of institutions involved reflects the longer historical presence of the TSI in the UK.

The evolution of the UK TSI in terms of temporary staffing agencies and temporary agencies workers is explored in Section 5.2. The UK is considered the most liberalised market of the three temporary staffing industries explored in this thesis, with low barriers to entry and few restrictions on the use of temporary agency workers (Ward, 2003; MacKenzie et al., 2010). Simultaneously, a significant level of re-regulation was introduced throughout the 2000s, as well as efforts to monitor and self-regulate the TSI, which are explored in Section 5.3. Queen Elizabeth II proclaimed in her speech to Parliament in 2009 that ‘Government will legislate to provide agency workers with the right to be treated equally with permanent staff on pay, holidays and other basic conditions’ (Queen Elizabeth II, 2009). This sentence embodied over a decade of
negotiations that finally allowed the Agency Workers Regulations (AWR) to take effect in the UK.

**Figure 5.1: The United Kingdom temporary staffing industry**

<table>
<thead>
<tr>
<th>The Multi-scalar State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulation of Temporary Staffing</td>
</tr>
<tr>
<td>• No restrictions on sectoral use</td>
</tr>
<tr>
<td>• Equal pay and equal treatment required after 12 weeks by Agency Workers Directive</td>
</tr>
<tr>
<td>• Employment Agency Standards Act 2003</td>
</tr>
<tr>
<td>• Gangmaster Licensing Agency</td>
</tr>
<tr>
<td>Primary legislation for the regulation of mainstream employment relationship increased</td>
</tr>
<tr>
<td>• Minimum Wage</td>
</tr>
<tr>
<td>• Working Time Directive</td>
</tr>
<tr>
<td>• Equality Act</td>
</tr>
<tr>
<td>• National Minimum Wage</td>
</tr>
<tr>
<td>Welfare system</td>
</tr>
<tr>
<td>• Unemployment benefits</td>
</tr>
<tr>
<td>• Welfare to Work program</td>
</tr>
<tr>
<td>• Co-operation between Work, Central and Regional agencies, and trade bodies (public-private partnerships)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Trade Associations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong trade association presence</td>
</tr>
<tr>
<td>• Recruitment and Employment Confederation (REC) document</td>
</tr>
<tr>
<td>• Association for Professional Staffing Companies (APSCo)</td>
</tr>
<tr>
<td>• Association of Recruitment Consultants (AERC)</td>
</tr>
<tr>
<td>• Association of Labour Providers (ALP)</td>
</tr>
<tr>
<td>• Association of Executive Staffing Companies (AESC)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>General Trade Association</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Confederation of British Industry (CBI)</td>
</tr>
<tr>
<td>• Forum for Private Business (FPB)</td>
</tr>
<tr>
<td>• Federation of Small Businesses (FSB)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Domestic Agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market highly fragmented with a large number of small domestic agencies</td>
</tr>
<tr>
<td>In 2010, 78% of agencies had turnover of less than £1 million</td>
</tr>
<tr>
<td>Increasing number of umbrella companies, acting as a hub for freelancers</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Transnational Agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market highly fragmented</td>
</tr>
<tr>
<td>Top 10 agencies (all transnational) represented 30% of the industry in 2010, and 16 out of the top 20 agencies in the UK had origins in the UK</td>
</tr>
<tr>
<td>Agencies often compete for large contracts to act as Manager Service Providers</td>
</tr>
</tbody>
</table>

Source: Author’s compilation.

The regulations were a transposition of the European Agency Workers Directive (2008), designed to harmonise the regulatory landscape in Europe by removing unjustified restrictions on the use of TAW and providing equal treatment for these workers. The inputs from UK institutions – most notably the Confederation for British Industry (CBI) and Trade Union Congress (TUC) – on the Directive’s development are analysed in Section 5.4, revealing a multitude of actors who made attempts to influence the regulatory landscape. The developments in public employment services provided temporary staffing agencies with further opportunities to expand their presence in the labour market, through a series of public-private partnerships (PPP). This extension of the role of the temporary staffing is examined in Section 5.5.

**5.2 Overview of the UK temporary staffing industry**

The temporary staffing industry (TSI) holds a long tradition in the UK, dating back to the early 20th century (Forde and Slater, 2005); Alfred Marks, the oldest recruitment agency, was established in 1919. It was only after the entrance of US temporary staffing agencies Kelly Services and Manpower in the late 1950s that the market began to expand
significantly, with steady growth until the 1980s (Ward, 2003). The mid-1980s marked the beginning of an era where the industry began to expand both in terms of size and function moving away from ‘traditional’ forms of temporary staffing. Consequently, the industry experienced rapid expansion (Casey, 1988; Ward, 2003); the number of workers placed through temporary staffing agencies grew from 50,000 in 1984, to 250,000 in 1999, and to 1.25 million by 2009 (Casey, 1988; Forde, 2001; Ciett, 2011). After 15 years of uninterrupted growth over the period 1993-2008, the UK TSI experienced a short but rapid period of decline in 2008-10, due to the financial crisis. The market was valued at £21.5 billion in 2005, falling to £19.9 billion in 2010 (REC, 2011). Despite this, in 2010 the UK TSI remained one of the largest in the world, accounting for 12% of global TSI revenues (Ciett, 2011).

Since 1993 the industry’s rate of growth was attributed to a rise in the use of flexible working in the labour market (Forde, 2001), to the expansion of the TSI into all sectors of the labour market, and to a shift from low-skilled work into high-skilled professions (Ward, 2003). With approximately 880,000 temporary agency workers by 2010, the UK TSI was the largest in Europe (Ciett, 2011). The extent and growth of the TSI in the UK can be explored through a number of lenses: the penetration rate; the characteristics of temporary staffing agencies; and the size and composition of the temporary staffing workforce, each explored in the following sub-sections.

The temporary agency work (TAW) penetration rate in the UK was 2.6% in 1998, rising to 4.8% in 2007, followed by a decline to 3.0% in 2010, still substantially higher than the European average of 1.5% (Ciett, 2011). The TSI thrives on uncertainty, as changes in the economy prompt employers to consider their workforce management (Ward et al., 2001), and temporary agency workers in theory expose client firms to less risk, hence their increased use (Forde, 2001). The level of TAW is in a constant state of flux, and as such has been influenced by the general level of economic activity, acting as a barometer for the economic climate (Peck and Theodore, 2007a) (see Figure 5.2).

By 2007, the UK workforce had grown to 29 million people (the highest it had ever experienced at that point), and the TSI benefited from this growth (IMF, 2011). Many temporary staffing agencies in the UK supply both temporary and permanent workers, although evidence from 2002-2010 suggested TAW remained the predominant focus, accounting for between 81-93% of turnover for those in the UK (see Figure 5.3). Between 1992 and 2010 the turnover of the UK TSI increased by 700%, with the greatest increases experienced in the late 1990s. A decline of 17% from its peak in 2008 was experienced by 2010, as seen in Figure 5.4 (REC, 2011).
Figure 5.2: Growth of temporary agency work and GDP, 1997-2010

Source: Authors calculations from Ciett (2007a; 2011) and IMF (2011).

Figure 5.3: A comparison of permanent recruitment and temporary agency work turnover, 2002-2010

Temporary staffing agency turnover fluctuated from 2002 onwards, with sharp declines in 2004 and 2009, falling to £17.8bn in 2009. Demonstrating the resilience of the UK TSI and its ability to rebound from recession, by 2010 turnover had returned to 2006 levels (Peck and Theodore, 2007a; REC, 2011). The growth and contraction of the economy and subsequent change in demand for TAW, meant that the TSI by 2010 was broadly the same size at it has been in 2006.

5.2.1 Temporary staffing agencies

Unlike other European countries, the UK temporary staffing industry (TSI) by 2010 was not dominated by a few major temporary staffing agencies. Instead it consisted of a diverse range of organisations, including a number of major transnational agencies, well known medium sized agencies, niche suppliers and numerous small firms (Stanworth and Druker, 2004), and as such remained highly fragmented (Peck et al., 2005; Coe et al., 2007a). In 2010, the top ten agencies accounted for only 20% of the market (Keynote, 2011). Low start up costs and few legal barriers to entry fuelled instability in the market, with high levels of new agencies in the market creating increased competition, while others fell by the wayside. A trade association policy manager described the extent of fragmentation:

‘The UK is dominated by small owner managed businesses, they have well over 80% of the market. There are some of the big multinationals, and they are the ones you see on the high street, they are the ones who get the big contracts, but it’s the smaller agencies that really make up the UK bulk of the market’ (Trade Association, Interview #24).

With an estimated 11,500 agencies in 2010, the UK TSI ranked third globally, although significantly behind Japan (83,000), and the USA (20,000) (Ciett, 2011). The number of
agencies in the UK displayed steady growth, from 5,000 in 1996 up to around 11,000 in 2001, when growth plateaued (Mintel, 2004); the total number of agencies remained similar as the market became saturated (Theodore, 2003). In spite of the reductions experienced between 2008-2010 due to the economic downturn, the number of temporary staffing agencies rose by 130% between 1996 and 2010 (Ciett, 2011). This is shown in Table 5.1.

<table>
<thead>
<tr>
<th>Table 5.1: The number of temporary staffing agencies in the UK, 1996-2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of agencies</td>
</tr>
<tr>
<td>Branches</td>
</tr>
</tbody>
</table>

Source: Author's calculations from Ciett (2012) and REC (2011).

However, these figures fail to illustrate the high degree of corporate activity that took place. A branch manager from a domestic agency commented on the level of 'churning' in the market, and how high levels of agency establishment and closures are somewhat obscured by simply looking at the summary figures:

'It's common for 500 insolvencies in a year but with more than 500 new agencies established each year, the total number of agencies appeared to grow...The overall figure for the number of agencies just doesn't show the high level of change experienced in this industry' (Industry Commentator, Interview #31).

The high level of corporate activity meant that even though the overall number of agencies may not have altered dramatically, a lot of churning within the industry took place. In 2009, more than half of the UK's agencies were less than 10 years old, and 28% of branches were less than three years old (Industry Commentator, Interview #32). The presence of new branches, however, may have been the result of agency expansion, rather than establishment.

In the late 1980s the industry's buoyancy could be most effectively measured using the number of temporary staffing agency branches, with 16,123 in 1989, rising to 17,193 by 1991, and then falling to a low of 14,422 in 1993, due to the reduced growth in the wider labour market (Ciett, 2011). The TSI grew consistently after the recession of the early 1990s, and over 15,000 branches were licensed in 1994 (Mintel, 1996). After the licensing requirement for agencies was abolished in 1994, the number of agencies became more complicated to ascertain, although Recruitment and Employment Confederation (REC) made estimates based on data provided by the Inter-Departmental Business Register. Through the REC 'branch level census', it was estimated there were around 15,970 branches in 2006 (REC, 2006) increasing to its peak of 17,607 in 2009 – an increase of 88.9% since 1996. Agencies were keen to ensure their presence across different markets, and one way to do this was through branch expansion (Industry Commentator, Interview
The growth was reversed in the late 2000s, as estimates suggested that 1,000 branches closed between 2008-2010 in response to the economic downturn (Keynote, 2011). A regional manager of a transnational agency described these patterns as a feature that epitomized temporary staffing:

‘The beautiful thing about temporary staffing is that it's such a fast paced industry, possibly no industry adapts as quickly... the biggest issue for the individual recruiter is whether they can move with the market trends and keep up. If they can't, they go under’ (Transnational Agency, Interview #18).

In geographical terms, the TSI spanned the whole of the UK, as outlined in Table 5.2.

### Table 5.2: Regional distribution of temporary staffing agencies in the UK, 2006

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of Agencies</th>
<th>Percentage of branches</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>3220</td>
<td>20</td>
</tr>
<tr>
<td>South East</td>
<td>2540</td>
<td>17</td>
</tr>
<tr>
<td>East of England</td>
<td>1475</td>
<td>10</td>
</tr>
<tr>
<td>North West</td>
<td>1090</td>
<td>10</td>
</tr>
<tr>
<td>South West</td>
<td>890</td>
<td>9</td>
</tr>
<tr>
<td>West Midlands</td>
<td>1055</td>
<td>9</td>
</tr>
<tr>
<td>Yorkshire &amp; Humberside</td>
<td>850</td>
<td>7</td>
</tr>
<tr>
<td>East Midlands</td>
<td>830</td>
<td>6</td>
</tr>
<tr>
<td>Scotland</td>
<td>590</td>
<td>6</td>
</tr>
<tr>
<td>Wales</td>
<td>270</td>
<td>3</td>
</tr>
<tr>
<td>North East</td>
<td>265</td>
<td>2</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>135</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13,210</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>


The highest proportion of firms were located in the larger cities and towns, although some smaller towns often had two or three agencies, particularly where there was a local sector specific need (for example, rural areas with agencies that operated in the agricultural sector). By 2010, the highest proportion of agencies were based in London (24.4%) and the South East (19.2%) a trend witnessed since the mid-1980s, when 75% of agency workers were located in these areas (Casey, 1988). This was, however, a reflection of where one third of all jobs in the country could be found, and as such attracted a large number of temporary staffing agencies (Forde et al., 2008). The areas with the lowest proportion of agencies were Northern Ireland and the North East with only 135 and 265 agencies respectively in 2006. The extent of the fragmentation of the TSI in the UK is illuminated through the size of turnover for agencies (see Table 5.3).

From Table 5.3 four features of the UK TSI are revealed. First, a decline was experienced in the number of agencies by 2010 from the peak of 19,725 in 2008. Second, it highlights the distribution of the size of these agencies: between 2004 and 2010, an overall pattern
of decline prevails for agencies with a turnover below £1 million, and the greatest decline seen in agencies with a turnover in the £50,000-£99,000 band (-34.6%).

Table 5.3: Temporary staffing agencies by turnover size in the UK, 2004-2010

<table>
<thead>
<tr>
<th>Turnover Size Band (£000)</th>
<th>2004</th>
<th>2006</th>
<th>2008</th>
<th>2010</th>
<th>Change in Number 2004-2010</th>
<th>% Change 2004-2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-49</td>
<td>1,965</td>
<td>1,849</td>
<td>12,040</td>
<td>1,815</td>
<td>-150</td>
<td>-7.6</td>
</tr>
<tr>
<td>50-99</td>
<td>2,740</td>
<td>2,770</td>
<td>2,270</td>
<td>1,790</td>
<td>-950</td>
<td>-34.7</td>
</tr>
<tr>
<td>100-249</td>
<td>3,345</td>
<td>3,600</td>
<td>1,460</td>
<td>3,020</td>
<td>-325</td>
<td>-9.7</td>
</tr>
<tr>
<td>250-499</td>
<td>1,945</td>
<td>2,035</td>
<td>1,425</td>
<td>1,905</td>
<td>-40</td>
<td>-2.1</td>
</tr>
<tr>
<td>500-999</td>
<td>1,760</td>
<td>1,905</td>
<td>915</td>
<td>1,660</td>
<td>-100</td>
<td>-5.7</td>
</tr>
<tr>
<td>1,000-4,000</td>
<td>1,965</td>
<td>2,250</td>
<td>700</td>
<td>2,215</td>
<td>+250</td>
<td>+11.3</td>
</tr>
<tr>
<td>5,000 +</td>
<td>655</td>
<td>745</td>
<td>465</td>
<td>805</td>
<td>+150</td>
<td>+18.6</td>
</tr>
<tr>
<td>Total</td>
<td>14,735</td>
<td>15,140</td>
<td>19,725</td>
<td>13,210</td>
<td>-1525</td>
<td>-10.3</td>
</tr>
</tbody>
</table>

Source: Author’s calculations from Keynote (2007, 2011).

Third, this contrasted with significant increases (11.3%) in the larger agencies (turnover of £1-4 million). Fourth, agencies with a turnover of over £5 million also increased (18.6%). The key point to draw from this table is that the number of agencies with significantly larger turnover expanded, while the number of agencies with below £1 million declined. Further interrogation of this data reveals the relative distribution of the agencies in terms of turnover size. The fragmentation of the industry is clear. Between 2004 and 2010 the percentage of agencies generating a turnover of less than £1 million per year ranged between 78-84%. A representative from a trade association described the structure of the industry:

‘There are thousands of small firms in the UK, often with a fairly narrow client base. It’s these small locally based firms, rather than the big national or international firms that make up the lifeblood of the industry’ (Trade Association, Interview #25).

The rise in the number of agencies with larger turnovers was a result of both organic growth and merger-and-acquisition activity, as the industry gradually restructured itself into larger groups (Coe et al., 2011a). For example the merger of Adia (Switzerland) and Ecco (France) formed Adecco in 1996 (Adecco, 2011a), with further acquisitions of Spring Group PLC and MPS Inc. in 2008 strengthening its position in the UK market as more sectors were covered (Adecco, 2011b). Other examples included the merger of Randstad and Vedior in 2009 (Randstad, 2011), and the merger of Corporate Service Group and Carlisle Group to form Impellam in 2008 (Impellam, 2008). The continual restructuring of the agency composition in the TSI aggravated the instability of the market as there was an ever-changing presence of different agencies. The economic downturn from 2008 onwards, and associated weakened labour markets, damaged many agencies’ profitability, and remained a key factor in acquisition activity:
'We're always looking for ways to make sure we have a stronger presence in any market we work in, and an efficient way of doing this is through acquisition of other businesses. If there is a specialist agency we feel would be a good addition to our portfolio of services then it makes sense to try and assimilate their business knowledge….and clients' (Transnational Agency, Interview #20).

Firms that completed mergers were able to cut costs and offer a wider range of services. The ability of agencies to evolve was expressed by a trade association:

‘Recruiters who don't evolve face extinction … disintermediation has been a word that has been bandied around for years, but in this post-credit crunch world it could be about to become a reality' (Trade Association, Interview #27).

The decline in the number of agencies can also be attributed to the cyclical nature of TAW in some sectors (such as agriculture), where demand for temporary agency workers varied from month to month, or year to year (De Groot and Frances, 2005). Other sectors were less prone to such variation, particularly those in professional occupations or the public sector - hence the desire of agencies to move into these sectors. Those agencies that relied on a narrow sector or range of workers were particularly vulnerable to variations in the market; if their area of expertise experienced a fall in demand, the demand for the workers they supplied would follow suit. An examination of changes in the top 20 agencies between 2006-2010 (in Table 5.4) reveals some corporate changes that took place, and how this affected the top strata of the industry.

Table 5.4 reveals several key points. First, from the top 20 in 2006, only seven agencies had origins outside of the UK: five were from the United States, one from Switzerland and one from the Netherlands. Second, by 2010 a greater proportion of the top 20 originated from the UK than in 2006, with only two agencies originating from the US, one from the Netherlands and one from Switzerland. Third, only the top two agencies in the UK, Hays and Capita, retained their position in the rankings, with turnover significantly above others in this group. Examining the change in these agencies reinforces the analysis that the UK TSI, at nearly all levels, experienced constant change. With a continued examination of the top strata of the UK TSI, Table 5.5 ranks agencies in terms of number of temporary agency workers.

In 2006 the top ten agencies were responsible for 239,405 temporary agency workers, which equated to 18.4 % of the total temporary agency workforce (Keynote, 2007). However, in 2010, the top 10 accounted for 306,350 agency workers, 29.2% of the temporary agency workforce, a significant increase which could indicate some gradual centralisation (Keynote, 2011). In addition, comparing Tables 5.4 and 5.5 reveals that, with the exception of CPL Resources, the top ten agencies in terms of turnover were also the leaders in the number of temporary agency workers, largely a reflection of the extensive branch networks of many of the larger agencies.
### Table 5.4: Top 20 temporary staffing agencies by total turnover (£m), 2006-2010

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Hays Plc (UK)</td>
<td>1,827</td>
<td>2,691</td>
<td>+32.1</td>
<td>No change</td>
</tr>
<tr>
<td>2</td>
<td>The Capita Group (UK)</td>
<td>1,435</td>
<td>2,587</td>
<td>+46.6</td>
<td>No change</td>
</tr>
<tr>
<td>3</td>
<td>Manpower (US)</td>
<td>944</td>
<td>1,044</td>
<td>na</td>
<td>↑ Entered Top 20 in 2008 after merger</td>
</tr>
<tr>
<td>4</td>
<td>Adecco (SWZ)</td>
<td>697</td>
<td>717</td>
<td>+26.9</td>
<td>↑ 2</td>
</tr>
<tr>
<td>5</td>
<td>The Corporate Services Group (US)</td>
<td>524</td>
<td>519</td>
<td>+39.3</td>
<td>↑ 4</td>
</tr>
<tr>
<td>6</td>
<td>Michael Page International (UK)</td>
<td>524</td>
<td>437</td>
<td>na</td>
<td>↑ Entered Top 20 in 2007</td>
</tr>
<tr>
<td>7</td>
<td>Spring Group (UK)</td>
<td>455</td>
<td>414</td>
<td>-40.1</td>
<td>↑ 3</td>
</tr>
<tr>
<td>8</td>
<td>MPS Group (US)</td>
<td>350</td>
<td>321</td>
<td>na</td>
<td>↑ Entered Top 20 in 2010</td>
</tr>
<tr>
<td>9</td>
<td>SThree (UK)</td>
<td>315</td>
<td>300</td>
<td>+21.6</td>
<td>↑ 3</td>
</tr>
<tr>
<td>10</td>
<td>Nestor Healthcare Group (UK)</td>
<td>309</td>
<td>288</td>
<td>na</td>
<td>↑ Entered Top 20 in 2010</td>
</tr>
<tr>
<td>11</td>
<td>Kelly Services (US)</td>
<td>266</td>
<td>264</td>
<td>53</td>
<td>↑ 6</td>
</tr>
<tr>
<td>12</td>
<td>Robert Walters (UK)</td>
<td>235</td>
<td>237</td>
<td>na</td>
<td>↑ Entered Top 20 in 2009</td>
</tr>
<tr>
<td>13</td>
<td>Pertemps (UK)</td>
<td>193</td>
<td>202</td>
<td>+4.5</td>
<td>No change</td>
</tr>
<tr>
<td>14</td>
<td>Hudson Global (US)</td>
<td>193</td>
<td>161</td>
<td>+17.4</td>
<td>↑ 4</td>
</tr>
<tr>
<td>15</td>
<td>Carlisle Group (UK)</td>
<td>163</td>
<td>155</td>
<td>+19.4</td>
<td>↑ 4</td>
</tr>
<tr>
<td>16</td>
<td>Brook Street (UK)</td>
<td>132</td>
<td>128</td>
<td>-51.9</td>
<td>↓ 5</td>
</tr>
<tr>
<td>17</td>
<td>Machttech Group (UK)</td>
<td>124</td>
<td>115</td>
<td>na</td>
<td>↑ Entered Top 20 in 2010</td>
</tr>
<tr>
<td>18</td>
<td>Allied Healthcare Group (UK)</td>
<td>133</td>
<td>111</td>
<td>na</td>
<td>↑ Entered Top 20 in 2010</td>
</tr>
<tr>
<td>19</td>
<td>Randstad (NL)</td>
<td>125</td>
<td>105</td>
<td>-45.6</td>
<td>↓ 5</td>
</tr>
<tr>
<td>20</td>
<td>Prime Time Recruitment (UK)</td>
<td>92</td>
<td>92</td>
<td>na</td>
<td>↑ Entered Top 20 in 2010</td>
</tr>
</tbody>
</table>

na: not calculable due to absence from top 20 in 2006

Source: Authors calculations from Keynote (2007, 2011).

### Table 5.5: Top 10 temporary staffing agencies by number of temporary agency workers (FTEs), 2006 and 2010

<table>
<thead>
<tr>
<th>Company</th>
<th>2006</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adecco</td>
<td>45,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Allied Healthcare</td>
<td>45,000</td>
<td>45,000</td>
</tr>
<tr>
<td>Hays</td>
<td>30,000</td>
<td>25,000</td>
</tr>
<tr>
<td>Manpower</td>
<td>25,000</td>
<td>37,000</td>
</tr>
<tr>
<td>Pertemps</td>
<td>20,000</td>
<td>17,350</td>
</tr>
<tr>
<td>Nestor Healthcare Group</td>
<td>19,000</td>
<td>nl</td>
</tr>
<tr>
<td>Corporate Services Group</td>
<td>18,000</td>
<td>nl</td>
</tr>
<tr>
<td>Vedior</td>
<td>17,400</td>
<td>nl</td>
</tr>
<tr>
<td>Carlisle Group</td>
<td>10,005</td>
<td>nl</td>
</tr>
<tr>
<td>Kelly Services</td>
<td>10,000</td>
<td>nl</td>
</tr>
<tr>
<td>Pinnacle Staffing Group</td>
<td>nl</td>
<td>14,000</td>
</tr>
<tr>
<td>Impellam Group</td>
<td>nl</td>
<td>51,000</td>
</tr>
<tr>
<td>Cordant Group</td>
<td>nl</td>
<td>22,000</td>
</tr>
<tr>
<td>CPL resources</td>
<td>nl</td>
<td>20,000</td>
</tr>
<tr>
<td>Staffline</td>
<td>nl</td>
<td>15,000</td>
</tr>
</tbody>
</table>

nl: no longer in Top 10 Agencies

Source: Authors compilation from Keynote (2007, 2011).
In the late 1990s temporary staffing agencies in the UK began to seek new strategies to enhance profitability and strengthen their position in the labour market (Coe et al., 2007a; 2011a). While agencies made efforts to move into a greater number of sectors in the labour market, they also sought to diversify their services (Forde and Slater, 2005). As one industry commentator noted:

‘The role of agencies isn’t only temporary staffing, they’re all trying to diversify their services as much as possible, they are all trying to move up the value chain. If you think of the lowest value being light industrial staffing, then you move towards the professional staffing end, so all the industrial businesses look to diversify into the professional staffing sector. Then the professional staffing agencies look to provide managed services – these big international contracts where they are managing staffing programmes on behalf of the client, not just for themselves, but for other temporary agencies’ (Industry commentator, Interview #31).

Since experiencing rapid growth in the 1990s, agencies have endeavoured to promote themselves as specialist business services, with an expanded human resource management role in partnership with the client organisations (Ward, 2003). However, this may be 'an image of the future of work which was based more on their own wishful thinking than grounded in labour market trends' (Purcell and Cam, 2002: 20). As part of this expansion of services, agencies sought to expand their primary functions, moving on from simply supplying TAW to a full range of human resources services. This indicated a move towards providing what trade associations and agencies often referred to as 'complete staffing solutions'. Recruitment Process Outsourcing (RPO), Master Vendor, Neutral Vendor, and Managed Service Provider (MSP) are all terms given to different arrangements for placing workers. Such arrangements have existed since the industry’s earlier developments (Ward, 2003; Peck et al., 2005), although they became more prevalent in the 2000s as a method to secure demand:

‘There’s a whole group of intermediaries called Managed Service Providers. The client will go to them and say “I want you to manage my temporary recruitment globally”. All the big players like Manpower and Adecco go in and try and win these managed service contracts where they are the main point of contact and manage all the other agencies on the clients behalf’ (Industry Commentator, Interview #31).

This form of business indicates a sustained relationship, where the temporary staffing agency has a greater opportunity to operate in the market, and in many cases exert power over smaller agencies who may be contracted in as part of the 'staffing solutions'. The motivation for clients to use these complete resourcing solutions was to reduce costs, as in theory they would reduce the administrative burden (Ward, 2003). Sectors increasingly using these 'staffing solutions' were mainly telecommunications and financial firms – as these were often the companies that used large numbers of agency workers. In 2010 there was even a national framework for the provision of temporary agency workers to local authorities, educational establishments and other public sector organisations in the UK - Managed Service to Temporary Agency Resources (MSTAR) - established by the
Public Sector procurement organisation Pro5 (supported by the Department for Education). This framework provided guidance for which agencies to use for certain requirements as set out in Table 5.6.

### Table 5.6: Public sector managed service providers

<table>
<thead>
<tr>
<th></th>
<th>1(a)</th>
<th>1(b)</th>
<th>2(a)</th>
<th>2(b)</th>
<th>3(a)</th>
<th>3(b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adecco</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Blue Arrow</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Carlisle Managed Solutions</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Comensura</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hays</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kent top Temps</td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Manpower</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Matrix SCM</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Pertemps</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Randstad</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Reed</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>

1 = Managed Service Provision for Corporate Staff (excluding Education staff)
2 = Managed Service Provision for Corporate Staff (including Education staff)
3 = Manager Service Provision for Education Staff only.
a) = Supply Chain Management, a solution where the managed service provider manages a supply chain or multiple agencies
b) = Resource Pool Management, a solution where the managed service provider, through whatever means, seeks to generate a pool of staff from which they fill vacancies.


Six out of the 11 agencies included in Table 5.8 are ranked in the top 10 temporary staffing agencies in the UK (for 2010) (as shown in Table 5.4). Through these arrangements agencies could use other agencies to supply the workers, but it is the larger agency that would have the main contract, and therefore the monopoly over other agencies. This area experienced significant growth as a source of high volume new business, even though the profit margins were seemingly slight. Agencies were assisting the restructuring of the workforces of user public sector organisations around a model of centralised procurement (Forde, 2001).

Furthermore, in 2000 a piece of tax legislation, IR35, was passed, designed to uncover freelancers and contractors who were not paying the correct tax code (Busby, 2002). The result of this was the growth of a further form of intermediary, umbrella companies, a form of outsourcing payroll services, particularly for freelancers. Individuals would have an employment contract with the umbrella company and conduct work for clients, who would in turn be invoiced by the umbrella company. As an intermediary, umbrella companies had a much more limited function than temporary staffing agencies, as they were not like other intermediaries that were actually involved in finding work placements. Nevertheless, by 2009, evidence from interviews suggested that around 200,000 individuals worked through umbrella companies, and this was expected to increase due to greater redundancies after the economic downturn and consequently individuals opting to
freelance. Umbrella companies represented another form of labour market intermediary which could potentially take business away from temporary staffing agencies.

Mirroring the growth in the number of agencies, the temporary staffing workforce also experienced significant expansion, and constitutes the focus of the next section.

5.2.2 Temporary agency workers

Estimates suggest that in the mid-1980s the UK had around 50,000 temporary agency workers (Casey, 1988). This was followed by a rapid rise throughout the 1990s, and at the end of the century temporary agency work (TAW) was the most common form of temporary employment across all occupational sectors (Forde and Slater 2001: 20). Between 1992 and 2001, the number of people working through temporary staffing agencies had increased by 346% to reach just over 1 million (Ciett, 2008; Forde and Slater, 2006). By 2005 the number of temporary agency workers had peaked at 1.26 million - a 34.8% increase since 1998 - with only minor increases since 2003. However, this growth was rapidly reversed after the onset of the financial crisis, with a 29.6% decline between 2008-2010 in response to reduced employment and a reduction in the number of agencies (see Table 5.7). In 2010, the volume of temporary agency workers remained lower than pre-recession levels years, although a domestic agency manager remained confident of future growth:

‘The increase in temporary agency staff across the board confirms that companies are relying heavily on temporary agency labour as a means of guiding them out of the recession. It comes as no surprise to us that overall use of temps has fallen as budgets have been tightened, just as other sectors have had to cut back on their permanent workers’ (Domestic Agency, Interview #23).

<table>
<thead>
<tr>
<th>Year</th>
<th>1997</th>
<th>2001</th>
<th>2005</th>
<th>2008</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of temporary agency workers (FTEs Thousands)</td>
<td>696</td>
<td>1,027</td>
<td>1,26</td>
<td>1,25</td>
<td>88</td>
</tr>
<tr>
<td>% of all temporary agency work in Europe</td>
<td>36.6</td>
<td>39.1</td>
<td>36.6</td>
<td>31.4</td>
<td>32.6</td>
</tr>
</tbody>
</table>

Despite concerns over the impact of Agency Workers Regulations in the UK (which came into force October 2011 – see Section 5.4.1), demand for temporary agency workers remained strong, with 28% of employers reporting the intention to hire more between October to December 2011, while 52% intended to maintain their level of agency workers (REC, 2011). This predicted upturn could, however, have been related to a seasonal rise in the use of agency workers to cope with increased demand associated with Christmas. Both agencies and trade associations, however, were keen to highlight the importance of temporary agency workers for the future:
Employers are also recognising the benefits that temporary staff can add in supporting seasonal demand and workforce flexibility during these uncertain times. Hiring intentions for temps are up this time last year despite the Agency Worker Regulations coming into force in October...Although the full impact of the Regulations will not be apparent until the first tranche of workers end their 12 week qualifying period, the early signs are that temporary and contract workers will continue to provide a key outlet for employers and workers’ (REC quoted in SIA, 2011g).

The maturity of the UK TSI was reflected in the sectoral distribution of temporary agency workers. In 1984 TAW was disproportionately concentrated in the service sector, particularly in administration, hotel and catering services, which collectively accounted for about two thirds of all the TAW placements (Casey, 1988). Within these service sectors, most temporary agency workers were placed in the low skilled occupations, the exceptions being highly skilled public sector occupations such as nursing or teaching (Forde, 2001). Casey (1988) highlighted that new patterns of TAW use were emerging as early as the end of the 1980s, most predominantly a move away from 'traditional' forms of TAW (e.g. secretarial) to 'new' sectors such as manufacturing where 'agencies flourished in tight occupations in local labour markets', although they were very much the exception at this stage (Casey, 1988: 20). By the end of the 2000s temporary agency workers were present in all sectors of the labour market (Ciett, 2011). These workers were providing much more than the 'warm bodies' (Parker, 1994) in low skilled low paid occupations, such as light industrial and call centre workers, but also in more skilled positions, such as the IT sector (CBI, 2007). The REC, the UK's trade association for the TSI, present data concerning the sectoral distribution for temporary agency workers (see Table 5.8).

Table 5.8: Sectoral distribution of temporary agency workers in the UK, 2007-2010

<table>
<thead>
<tr>
<th>Sector</th>
<th>% 2007</th>
<th>% 2008</th>
<th>% 2009</th>
<th>% 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other industrial/Blue Collar</td>
<td>18</td>
<td>33</td>
<td>21</td>
<td>24</td>
</tr>
<tr>
<td>Secretarial/Clerical</td>
<td>8</td>
<td>9</td>
<td>13</td>
<td>17</td>
</tr>
<tr>
<td>Computing/IT</td>
<td>7</td>
<td>2</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>Technical/Engineering</td>
<td>6</td>
<td>5</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Drivers</td>
<td>6</td>
<td>8</td>
<td>12</td>
<td>8</td>
</tr>
<tr>
<td>Other</td>
<td>7</td>
<td>1</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Nursing/Medical Care</td>
<td>9</td>
<td>16</td>
<td>11</td>
<td>5</td>
</tr>
<tr>
<td>Construction</td>
<td>14</td>
<td>2</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Education/Teaching</td>
<td>11</td>
<td>2</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Professional/Managerial</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Hotels &amp; Catering</td>
<td>7</td>
<td>1</td>
<td>11</td>
<td>4</td>
</tr>
<tr>
<td>Accounting/Financial</td>
<td>4</td>
<td>20</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>


Several important features of the UK TSI can be extracted from this: the largest sector throughout this time period for temporary agency workers was industrial and blue collar, representing between 19% and 33%; only the secretarial/clerical sector experienced continued growth in the proportion of temporary agency workers; and reductions in the
proportion of temporary agency workers in nursing/medical care and education/teaching reflected significant government influence. The rise in nursing/medical care between 2007-2008 was a response of increasing reliance on temporary agency workers due to relative declines in public sector pay, and consequently shortages of such workers (Trade Association, Interview #26). Agencies could offer higher wages as they could provide the workers on demand, and charge the user firm accordingly. However, further reviews of public spending highlighted spending on temporary agency workers which were deemed too expensive, resulting in large declines in their use as NHS trusts strived to cut costs (Department of Health, 2011). Similar patterns were experienced for temporary agency workers in teaching/education, although the decline occurred a year earlier. An agency branch manager describes the situation in 2010:

'We used to deal with a lot of public sector workers, and we have medical and teaching arms of the business that focus on these. There’s been a real dip in the work we’ve had for these workers, I’d say over the last 6-9 months. The media and to some extent the government see temps as an expensive option when actually this is not usually the case….and this we’ve tried to get across through our own channels and through the REC' (Transnational Agency, Interview #17).

Whilst demand for technically skilled workers in architecture, construction and engineering remained small, others experienced little change, as one agency manager explains:

'The care sectors don't have the luxury of turning to temporary agency labour as a means of preparing for an upturn, as temporary agency staff already make up substantial part of their workforce and this raises an issue: once a workforce reaches a certain threshold in the use of agency work, its becomes harder to increase' (Domestic Agency, Interview #22).

One further observation from Table 5.8 is that the most drastic change was experienced by the accounting and finance sectors growing from 3% to 20% between 2007-2008, sharply contracting to 2% the following year, in response to the financial crisis. The initial increase of highly skilled labour (such as accountants) suggests a fundamental shift in organisation of work, where such people selected TAW as a means of marketing their skills in the 'knowledge economy' (Albert and Bradley, 1997; Knell, 2000; Leadbeater, 2000). While Table 5.8 shows increases in some skilled sectors at times (IT, technical, and accounting, albeit briefly) the majority of placements are in lower skilled occupations, just as they were in the 1980s (Forde and Slater, 2005). These figures contribute to a picture of a polarised agency workforce, characterised by a high volume of unskilled workers at one end of the spectrum, in the relatively low paid positions, with some skilled and professional workers, at the other (Albert and Bradley, 1997).

In terms of the gender composition of the temporary agency workforce, studies have asserted that it was predominantly women who pursued TAW, benefiting from the flexible conditions (Feldman et al.,1994; Vosko et al., 2009b). However, the proportion of male
and female agency workers is no longer as uneven as it has been, with the overall division of temporary agency workers being 58% female and 42% male in 2009 (Ciett, 2011). This was a significant change from the female dominated temporary agency worker population from the 1980s and 1990s (Vosko, 2000). There are suggestions that workers with children are now less likely to work through an agency as they are in need of a stable income (Forde and Slater 2006). A domestic agency regional manager described their experience of the gender differential:

‘Since we opened in the early 2000s we’ve always had a slight majority of women actually on placements. We’ve often had a greater supply of male workers, but it’s the women who often get the placements usually because that’s what the client wants, or they’re more suited to the type of job that’s required - secretaries, administration etc. We’ve not seen the pattern change that much’ (Domestic Agency, Interview #21).

In terms of age composition, temporary agency workers tend to be younger than their permanent counterparts (see Figure 5.5; Forde and Slater, 2005). Comparing the distribution of age groups for 2000 and 2009 reveals that few changes appear to have taken place despite more dramatic changes in the size of the industry itself. A slight expansion in the proportion of ages 20-24 (+2%) and ages 40-49 year olds (+2%) may reflect wider labour market patterns typified by youth unemployment (Telegraph, 2009), and redundancies made to some older workers (Guardian, 2009). The reduction in ages 16-19 could also reflect the successive government’s push towards post-16 education and training (Department for Education, 2007).

Figure 5.5: Distribution of temporary agency workers in the UK by age, 2000-2009


This section has outlined the broad characteristics of the TSI in the UK, beginning with the prevalence of TAW, before examining the developments in temporary staffing agencies, and considering the composition of the temporary staffing workforce. The next section turns to developments in regulation, a further aspect of the UK TSI.
5.3 Regulation of temporary staffing in the UK

Temporary staffing agencies competed for a market share in what they considered a growing market, both nationally and internationally. Developments in Europe fuelled this rivalry, as individual regulations at the national level began to loosen in several EU member states (Stanworth and Drucker, 2004), and European legislation was introduced in an attempt to harmonise the regulatory landscape for the temporary staffing industry (TSI). Despite being considered one of the most liberalised markets for temporary staffing in Europe (MacKenzie et al, 2010), the UK TSI faced a set of regulatory challenges, which included dealing with national regulatory establishments, and issues surrounding working time and pay. This section begins with an introduction to regulations which affected the development of the TSI in the UK, followed by a discussion of the mechanisms in place for monitoring temporary staffing agencies, ensuring compliance to regulations, and their relative effectiveness. Following this is a discussion of changes to trade associations which represented the TSI, and the implications of these for the industry.

5.3.1 Processes of de-regulation and re-regulation

Two types of legislation are relevant for the TSI in the UK - employment legislation and employment agency legislation, which combined form a complex legislative and administrative demand for temporary staffing agencies. The Employment Agencies Act (1973) was the first piece of UK TSI legislation, introducing a licensing system which consequently categorised the industry according to the type of employment contract on offer, distinguishing between employment agencies (those who match an employee to a hirer as a permanent employee), and employment businesses (who employ workers to be hired out to third party clients as temporary workers). The Act also prohibited the charging of fees to workers for finding them employment. In contrast to most other European countries, in the UK temporary staffing agencies could place permanent and temporary agency workers within the same office, in any category of employment, and fix their own commission (Purcell and Cam, 2002).

The Conduct of Employment Agencies and Employment Business Regulations was introduced in 1976, and amended in 2003 and 2010. The main requirements of the 1976 legislation were that agencies must charge employers only, and that each new branch would be required to obtain a license, renewable annually and subject to inspections to ensure satisfactory business conduct. Licenses were relatively inexpensive, and the start-up costs to agencies entering the industry were low, encouraging an influx of new entrants into the market every year. The requirement for a license was abolished under the Deregulation and Contracting Out Act of 1994, which was part of wider designs to reduce government expenditure and bureaucracy; this allowed agencies more freedom to operate.
with minimal input from the government (via a small inspectorate). Further legislation was introduced, allowing agencies the right to ask for recompense when a temporary agency worker placed with a client was offered a permanent position. Initially, the government proposed a new regulation of the 'temp-to-perm' transition that required the agencies to waive this fee, an established method of preventing 'poaching' of temporary agency workers by the host organisation. However, the government responded to concerns expressed by the REC (REC, 2002), which meant agencies were restricted (but not prevented) from charging transfer fees (Purcell and Cam, 2002). This change was significant as there is some evidence from the literature (Peck and Theodore, 1998; Autor, 2001; Houseman et al., 2003; Forde and Slater, 2005), as well as from the actors across the industry, which points to the agencies acting as a screening service for potential permanent employees. If the fees for transferring a temporary agency worker from a temporary to a permanent contract were too high, this would be less prevalent, and as such agencies were less likely to be used as a stepping stone to permanent employment.

The Conduct Regulations were further amended in 2010 in order to ban initial fees for photographical and fashion models, and set the terms for situations where fees could be charged, to ensure that agencies carried out checks on those workers whose placement would involve them working with vulnerable people.

The requirement for agencies to hold a license was removed in 1994. After this, there were no restrictions on the number of renewals or prolongations for temporary agency work (TAW) contracts or maximum duration of contracts, nor were there restrictions on the sectors in which the TSI operated (OECD, 2009a). Temporary agency workers' rights were substantially increased by legislation that affected all employment in the UK, as outlined in Table 5.9.

Through the Employment Rights Act (1996), and the EU Working Time Directive (1993), temporary agency workers gained entitlement to statutory sick pay and maternity pay – although temporary agency workers were still not considered employees in the narrow legal sense, and were consequently excluded from other rights such as statutory notice, redundancy and the guaranteed option of returning to work after maternity leave (Arrowsmith, 2006). Although legislation was implemented at the national and European levels, systems of self-regulation were widely supported and, therefore, regulation protecting agency workers until 2008 remained limited. In addition to the legislation that referred specifically to temporary staffing agencies, there were wider changes to UK employment regulation which impacted on the TSI. These are summarised in Table 5.9.
Table 5.9: Employment legislation in the UK affecting the temporary staffing industry

<table>
<thead>
<tr>
<th>Origin</th>
<th>Year</th>
<th>Regulation of Employment Agencies</th>
<th>Terms of Regulation relevant for the TSI</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>1973</td>
<td>Employment Agencies Act</td>
<td>Distinguishes between employment agencies and employment businesses. Prohibits charging of fees to workers for finding them employment.</td>
</tr>
<tr>
<td></td>
<td>2003</td>
<td>Conduct of Employment Agencies and Employment Business Regulations (amended)</td>
<td>Establishes a framework of minimum standards that clients, both work-seekers and hirers, are entitled to expect.</td>
</tr>
<tr>
<td>UK</td>
<td>2004</td>
<td>Gangmasters Licensing Act</td>
<td>Establishes the Gangmasters Licensing Authority and the licensing scheme for agencies in certain sectors (mainly agriculture and food processing).</td>
</tr>
<tr>
<td>UK</td>
<td>2010</td>
<td>Conduct of Employment Agencies and Employment Business Regulations (amended)</td>
<td>Detailed situations when fees could be charged for those working with photographic and modelling agencies.</td>
</tr>
<tr>
<td>UK (EU Directive)</td>
<td>2010</td>
<td>Agency Worker Regulations</td>
<td>Temporary agency workers should receive equal treatment to a comparable worker after 12 weeks on an assignment.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Regulation of All Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stems from EU Data Processing Directive 1998 Data Protection Acts Covered a range of activities including selection of candidates, the interview, management of employment records and monitoring within an agency.</td>
</tr>
<tr>
<td>Stems from EU Working Time Directive 1998 National Minimum Wage Act Working Time Regulations Sets the minimum wage that can be offered to workers. Governs the maximum hours that a worker and work continuously in the following sectors: non-mobile employment at sea, inland waterways, lake and road transport, offshore employment and junior doctors.</td>
</tr>
<tr>
<td>UK 2003 Equal Pay Act Provision for minimum holiday entitlements.</td>
</tr>
<tr>
<td>UK 2003 Sex Discrimination Act Ensures no discrimination according to gender.</td>
</tr>
<tr>
<td>UK 2003 Race Relations Act Ensures no discrimination according to race.</td>
</tr>
<tr>
<td>UK 2004 Disability Act Ensures no discrimination against those with disabilities.</td>
</tr>
<tr>
<td>UK 2006 Age Discrimination Act Instigated regulations which make it illegal to discriminate towards people of a certain age.</td>
</tr>
<tr>
<td>UK 2010 Equality Act Subsumed the Equal Pay Act, Sex Discrimination Act, Race Relations Act, Disability Act and Age discrimination Act into one piece of legislation.</td>
</tr>
</tbody>
</table>

Source: Author’s compilation.

The British Chambers of Commerce estimated that the employment legislation, outlined in Table 5.9, had cost UK business £15.1 billion since 1997 (BCC, 2010). However, trade unions were in favour of such legislation in order to ensure the fair treatment of workers.

‘Agency workers are often employed, quite deliberately on terms and conditions inferior to permanent workers. They rarely have access to sick pay or pension schemes. In many cases they receive little or no training and therefore are exposed to greater health and safety risks. We need to continue to ensure that legislation is in place to protect the rights and safety of all workers, but particularly
agency workers because of they are the most vulnerable in the workplace’ (Trade Union, Interview #28: 20/05/10).

With many of these laws originating from European Directives or legislation, the UK has been forced to increase legislation even though in 2010 the Coalition government’s policy was to reduce the regulatory burden, particularly on small and medium sized businesses (BIS, 2010b). A result of a growing range of legislation was an increased administrative burden, that many smaller agencies did not have the capacity to adjust to. Furthermore, the development of an increased regulatory burden frustrated many agencies:

‘For far too long we [the TSI] have suffered from negative connotations, demands for more and more regulation, misconceptions that agency workers are vulnerable, mistreated and need extra protection, and so on. This is ultimately eroding confidence within the industry’ (Trade Association, Interview #27).

Within this legislative sphere there were bodies responsible for monitoring - and to some extent enforcing the regulations in the case of agencies operating in certain sectors - for TAW. These are explored in the next sub-section.

5.3.2 Examining monitoring and compliance as mechanisms of regulatory enforcement

There were specific institutions, in principle, tasked with the role of monitoring some labour market intermediaries and ensuring compliance with the regulations outlined in Section 5.3.1: from the early 1970s the Employment Agencies Inspectorate (EAS), and from 2004 the Gangmasters Licensing Authority (GLA). In reality, the sector favoured self-regulation - in the forms of codes of practice and monitoring by trade associations - in part due to the liberalised nature of the industry, but also the relatively small size (and scope) of the GLA and EAS. In addition, trade unions were active in the UK market, with many campaigns related to TAW, and active lobbying for the protection of temporary agency workers (TUC, 2006, 2007, 2008b). While this was not self-regulation as such, the unions put pressure on other institutions to try and ensure effective provisions were in place, with varying levels of success.

The Employment Agency Standards Inspectorate (EAS) was established in 1976 to regulate the activities of agencies, a role previously carried out by Local Authorities. The primary role of the EAS was to ensure compliance with the Employment Agencies Act (1973) and the Conduct of Employment Agencies and Employment Business Regulations (2003); between 1976 and 1994 it was also responsible for ensuring temporary staffing agencies had a license. The EAS covered all sectors of the labour market until 2005, when the GLA was established and the responsibility of regulating the agricultural and food sectors was transferred to it. The EAS had the power to undertake inspections, issue warnings and ensure correct measures were taken where necessary, issue unlimited fines, and initiate prosecution of agencies or prohibit them from running an agency for up
to 10 years (BIS, 2012). However, the highest risk agencies were very difficult for the EAS to identify, and therefore rarely had the most severe sanctions imposed.

In 2006 the EAS received 1,103 complaints against temporary staffing agencies (including multiple complaints about the same agency), and 1,892 infringements were found (BIS, 2009). The highest number of complaints were found in the industrial and construction sectors (43%), while the lowest were found in the IT and professional sectors (both 3%). However, there were infringements found in nearly all sectors, including secretarial, administration, healthcare, models, childcare, hotel and catering, and education (BIS, 2012). By 2010, the level of complaints had fallen to 958, while the number of infringements had risen to 2065 (BIS, 2012). Overall, there was little progress in reducing infringements by agencies through the operations of the EAS.

Historically the EAS investigated issues indicated to them by other organisations, rather than conduct extensive investigations of all relevant agencies (BIS, 2009:8). The activity of the EAS was mainly reactive, rather than proactive, as although inspectors carried out monthly 'blitz' inspections, these were usually on targeted agencies that had been reported for breach of guidelines or mistreatment of workers (by workers, other client firms or members of the public), consequently leading to a very uneven distribution of inspections across the industry (BIS, 2009). With inspections largely driven by complaints, there was limited time for random and other targeted inspections. Therefore, the EAS did not conduct inspections of a representative sample of temporary staffing agencies.

In 2012 the EAS stated it was keen to work closely with regulators, agencies, trade associations and trade unions to develop better guidance on their legal obligations and raise awareness of the regulations governing all businesses working in recruitment and temporary staffing (BIS, 2012:12). There was some indication of where efforts had already been made, for example the EAS worked with the TUC to compile a series of videos outlining the role of the inspectorate (and the GLA), the powers of investigators, and the sanctions that could be imposed for non-compliance (TUC, 2012). The EAS believed it could significantly increase its knowledge of individual temporary staffing agencies through working with other actors, such as the REC, who carried out their own inspections and effectively developed a database of agency inspection history (for those agencies that were members). Before 2010 there was little in place to facilitate organisational learning, as the EAS did not have its own database of previous inspections, meaning that any further inspections which took place were done so blind.

‘Enforcement activities must be properly co-ordinated and targeted. Rogue providers that deliberately and systematically flout regulations must be dealt with: the REC continue to work with the EAS and other government inspectorates to deliver the best possible enforcement systems for the industry’ (REC, 2010c).
The relationship between the two regulatory bodies was relatively weak, with little contact, or collaboration. A review of the regulator in 2005 stressed that these actors could be more effective if they collaborated and made further links with other actors in the TSI, for example through employing people who had previously worked in the sector (Hampton, 2005; BIS, 2009). The EAS had a Memorandum of Understanding (MoU) with the GLA, the primary goal of which was to increase information sharing. Often unions and employers largely misunderstood the role of the GLA and EAS, mainly because they had little communication with them other than through inspections (BIS, 2009). One trade union described the nature of their communication with the EAS:

'We have had contact with the EAS, but only through the form of a few leaflets and guidance documents when we requested them. It makes sense for us to work together, we are both acting to defend the rights of workers and to prevent mistreatment' (Trade Union, Interview #30).

While a domestic agency regional manager described some face-to-face interaction:

'We were visited by an inspector last year, we didn't really know what they needed as such. They looked through a portion of our records, spoke with some of the staff, and took details of some workers. They seemed ok with how things were operating, but in a few hours how can you really tell about what goes on. Of course, we are a reputable agency that everything is in order for our workers but if there are "rogue" agencies as they claim I'm not convinced they would be able to uncover the problem without more extensive investigations' (Domestic Agency, Interview #21).

Temporary agency workers have been perceived as particularly vulnerable in the agricultural and construction sectors (Markova and McKay, 2008). The Gangmasters Licensing Act (2004) established the Gangmasters Licensing Authority (GLA) as a result of an incident in 2004 where cockle-pickers drowned from incoming tides in Morecambe Bay (BBC, 2004). The Act established the agency but also the Gangmaster's Licensing Scheme (introduced in 2006) which regulated those who provided labour in the agriculture, forestry, horticulture, shellfish gathering, food packing and food processing industries, estimated in 2009 to be around 10% of workers in the temporary staffing sector (BRE, 2009:10). Prior to this, no specific regulation of temporary staffing agencies existed in the food sector, despite concerns raised about standards (TUC, 2007). The name given to the agency did nothing for the profile of the TSI, particularly as most employers in the industry did not consider themselves 'gangmasters', or behave like them. In fact the term 'gangmaster' was first used in the 19th century, in the Agricultural Gangs Act (1867), designed to protect women and child workers. Many of the agencies who were regulated by the GLA fell outside of the remit of this traditional identification of 'gangmasters', and the GLA's remit extended to many of the more 'generalist' temporary staffing agencies who placed workers in a range of sectors.
'In the summer we do have some agricultural work in the surrounding area but it’s a very small proportion of what we do. We are not like the gangmasters, we are an employment agency that works across all sectors and employs the same standard for all our workers regardless of the work placement. But then the GLA didn’t spend much time here, they visited one of the local farms for an hour and were satisfied...I understand why they established it [the GLA], and there is a definite need for those working under real gangmaster to ensure the workers are not being mistreated, but for an agency like us it seems like a waste of time and money' (Domestic Agency, Interview #23).

The agencies regulated by the GLA were diverse, both in terms of the sectors of operation and in the business models they used. Some agencies were very geographically specific (such as shellfish gathering), while for others the activities monitored by the GLA were only one small aspect of their operations. The significance of the Act was that some agencies were now required to pay for a license to operate. The cost of this license varied according to the size of the agency: those with a turnover of over £10 million were charged £4,000; those with a turnover of less than £1 million, only £250 (BRE, 2009). In addition, agencies were required to pay for a GLA inspection at a cost of £2,500. Consequently, many of the small labour providers had to assess whether they could afford to operate in these agriculture and food packaging sectors. Considering that many of the agencies that operated in this sector were locally based, operating with a relatively small number of workers, the fee was considered to be a financial and administrative burden. As one agency manager explained:

'We've only been up and running for a few years, the margins are quite tight, these extra fees we have to pay cut into those. We realise we have to have the inspections but there should be a more reasonable fee for smaller businesses' (Domestic Agency, Interview #23).

It was estimated that the total number of licenses in 2008 only represented about 75% of all agencies which should have been licensed (BRE, 2009), with regional levels lowest in Northern Ireland where those licensed were estimated to represent only 63% of all agencies (GLA, 2008). This indicates that the licensing scheme was not only ineffective, but also poorly enforced. By 2009, out of the 2227 licenses applied for, 95 had been revoked, 421 agencies had ceased trading, and 375 were rejected (BRE, 2009: 30). This was largely blamed on the small numbers of staff in the GLA: 24 regional based inspectors, three managerial staff and four administrative staff, in total just 31 people (BIS, 2009:5).

'With such small numbers of staff it's almost impossible to even find every agency, let alone inspect them. Some of them don't last very long so they get completely missed off the radar' (Government representative, Interview #13).

One of the benefits of the GLA was that is allowed a greater awareness of the number of temporary staffing agencies operating in these sectors as well as a better understanding
of a sector which was poorly understood. An assessment by the GLA estimated that of the approximately 2127 agencies that were relevant for their operation, around 1000 were ‘invisible’ to authorities, meaning that they were not registered or had undergone inspection. These were predominantly small agencies/gangmasters with under 50 employees (BRE, 2009:22). The agencies that were more ‘visible’ were those with a large number of workers, and were more conditioned to the process of compliance and inspection.

The Association of Labour Providers (ALP) was established shortly after the creation of the GLA (2005), in order to provide a platform for the views of what was considered an under-represented area of the labour market. The GLA had a close working relationship with the ALP, attempting to raise awareness of the issues in the sector, but maintained what the Better Regulation Executive (BRE) described as ‘the right level of regulatory distance’ from the agencies themselves, i.e. they did not maintain a detailed level of involvement with the providers themselves, but did so through the trade association (BRE, 2009: 22). In 2010, the GLA identified 845 workers whose exploitation in total was valued at nearly £2.5m, with 12 prosecutions resulting from investigations (GLA, 2012). This was considered by some as an achievement:

‘The GLA’s impact on improving working conditions for some vulnerable workers has been impressive, particularly in view of its very small size’ (BRE, 2009: 4).

Others, however, focused on its small size, and relatively limited impact:

‘The GLA just doesn't have the manpower to inspect every agency it should’ (Industry Commentator, Interview #31).

Additionally, there were concerns over increasing evidence of 'phoenixism', i.e. companies that ceased trading and returned to the market under a different name. This was not investigated on any significant level by the GLA. The characteristics of the two regulators are summarised in Table 5.10, revealing the relatively small nature of their operations. There were clear differences in remit between the enforcement architecture of the TSI, although both regulatory bodies were perceived to have a significant effect on the overall operation of the industry, particularly those in agriculture and food sectors.

This section has argued that the TSI regulatory landscape has remained complex. While the market is relatively easy to enter with low set up costs, and no licensing fees (for most sectors), there were many different departments responsible for different aspects of the TSI regulations: EAS, GLA and HM Revenue and Customs (HMRC), for example, with little effective enforcement. However, these bodies alone did not represent all mechanisms of monitoring of the TSI.
### Table 5.10: Features of two regulators in the UK temporary staffing industry

<table>
<thead>
<tr>
<th>Established</th>
<th>Employment Agency Standards Inspectorate (EAS)</th>
<th>Gangmasters Licensing Authority (GLA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of inspectors</td>
<td>24 inspectors (of 31 total staff).</td>
<td>33 inspectors (of 53 total staff).</td>
</tr>
<tr>
<td>Sectors of operation:</td>
<td>All sectors excluding agriculture and food processing.</td>
<td>Agriculture, forestry, horticulture, shellfish gathering, food packing and food processing industries</td>
</tr>
<tr>
<td>Role</td>
<td>To enforce provisions of regulations stated above.</td>
<td>To run a licensing scheme for Gangmasters. To ensure compliance with working pay and conditions.</td>
</tr>
<tr>
<td>Inspections</td>
<td>Intelligence based Little time or resources for routine inspection.</td>
<td>Intelligence based Little time or resources for routine inspection.</td>
</tr>
<tr>
<td>Infringements found</td>
<td>2006: 1893 2010: 2065</td>
<td>In 2010: 125 investigations, 845 workers found to be exploited</td>
</tr>
<tr>
<td>Relationship with other actors in the TSI</td>
<td>Frequent contact with REC. MoU with EAS. Little interaction with trade unions or temporary staffing agencies. In 2010 EAS worked with TUC to produce some videos to promote the role of the inspectorate and the GLA.</td>
<td>Frequent contact with REC MoUs with GLA. Association of Chief Police Officers and the Association of Chief Police Officers in Scotland; Employment Agencies Inspectorate, Department for Business, Enterprise and Regulatory Reform (later BIS); Fraud Investigation Service, Department for Work and Pensions; Health and Safety Executive; HM Revenue and Customs; UK Border Agency; National Minimum Wage Enforcement Team, HMRC; Serious and Organised Crime Agency.</td>
</tr>
</tbody>
</table>

Source: Authors' compilation from interviews and regulator websites.

The Recruitment and Employment Confederation (REC) monitors the activities of its members who must adhere to the associations' Code of Practice. Considering that the GLA estimated there were over 1000 agencies 'invisible' to their monitoring systems, it is unlikely they would be members of the REC and therefore would not be subject to their monitoring either.

#### 5.3.3 Presence of trade associations and trade unions

There are four key trade associations that work in the interest of the UK temporary staffing industry (TSI): the Recruitment and Employment Confederation (REC), the Association of Professional Staffing Companies (APSCO), the Association of Recruitment Consultancies (ARC) and the Association of Labour Providers (ALP).

The principal trade association for the TSI, REC, dates back as far as the 1930s, and by 2010 represented all sectors of the industry, enforcing a comprehensive Code of Practice (REC, 2012). The origins of the REC lay in the South East, where the majority of temporary agency work (TAW) was located at the time, where a group of agency managers formed the London Employment Agencies Federation (LEAF). As the TSI expanded, so did the Federation, removing the London part of its title and allowing members from elsewhere in the country. In the 1970s it incorporated the Federation of
Personnel Services of Great Britain, later to become the Federation of Employment Services in 1984. Developing alongside this, the Institute for Employment Consultants (IEC), established in 1963, was expanding. The Federation of Recruitment and Employment Services, as it was then known, experienced significant growth in membership mirroring the rapid growth of the TSI. In 2000 it merged with the Institute of Employment Consultants to form the Recruitment and Employment Confederation (REC), intended to create a 'single unified, powerful voice to represent the industry in the face of increasing regulation' (REC, 2007b).

In 2010, the REC had around 3,750 corporate members and 5,500 individual members, accounting for 67% of the total number of agencies in the UK (REC, 2012). This meant that the majority of agencies were required to abide by the REC Code of Practice, with the REC policing any complaints with regards to violations of this code, although much like the government regulatory bodies, it is questionable to what extent the association could police all of its members. In cases where breaches of the code were confirmed, information was passed to the Professional Standards Committees, where representatives from trade unions and the Department for Trade and Industry reviewed cases, and decided on a suitable sanction (usually expulsion from REC). In 2009, the REC replaced its option to join as an individual member by creating the Institute of Recruitment Professionals (IRP) as part of its aim to establish a chartered status for recruitment professionals, and contribute to the professionalisation of the industry.

A key role for the REC is to represent the interests of the UK's TSI in Parliament, Whitehall, and the European Commission. There are four areas of activity of the REC, which together highlight its relationship with government and with the wider labour market. First, in the lead up to the May 2010 UK general election, the REC produced a Manifesto to Government, clearly articulating the position of the TSI on the debate of jobs creation, the requirement for less regulation, and the impact of the labour market situation on the UK's economic growth (REC, 2010d). Second, the REC established a public sector resourcing campaign, positioning the TSI as a solution to supply flexible labour, encouraging the public sector to continue to use temporary agency workers despite major spending cuts (REC, 2010e). Third, the REC has 21 sector specialist groups, reflecting the specifics of the corporate membership of the association, as well as the entire TSI. And finally, the association created a wide-ranging Agency Workers Regulations programme to help agencies prepare for the implementation of the European Agency Workers Directive, in the form of 'webinars', seminars, client packs, sector-specific briefings and more formal training sessions.
The REC has sought to develop links with other organisations outside government and develop its involvement in the wider labour market. The Education and Employers Taskforce was established in order for its members to get involved with schools and colleges, facilitating work experience as part of a wider aim to tackle youth unemployment. The primary goal of the taskforce was to ensure schools and colleges had effective partnerships with employers, as well as to make sure young people had a greater awareness of the world of work, and could therefore make more informed career choices. This partnership specifically included the REC providing a guide about the benefits of partnerships with schools; updates on new programmes; regular exchange on policy developments; and providing an outlet to try and raise awareness of the TSI. In addition, the REC attempted to produce objective studies of the TSI, and developed links with other institutions including the University of Manchester, Chartered Institute of Personnel and Development, Cordoba Consulting, Randstad and the Guardian to produce research (for some examples, see REC, 2007a, 2007b 2009, 2010e, 2011). In essence, it attempted to create a role for itself as a legitimate labour market commentator.

The Association of Professional Staffing Companies (APSCo) was established in 2009 - when it transformed from the Association of Technology Staffing Companies (ATSCO) - which represented agencies working in IT, technology and engineering sectors. The decision to expand its membership was made in order to represent agencies working in professional sectors including finance, human resources, insurance, law, media, marketing, pharmaceuticals, science, property and sales. In 2009, it merged with the Forum of Professional Recruiters (FPR). FPR itself was established in 1999 as a response to the government's consultation on the regulation of the recruitment industry. While APSCo remained much smaller than the REC, and focused more on professional temporary staffing, it too sought to expand its reach, by absorbing organisations, including the Association of Recruitment Professionals (ARP) and Association of Social Work Employment Businesses (ASWEB). The overall rationale for these changes was to strengthen the voice of professional recruiters (around 150 members) and protect the TSI from further regulation:

‘After so many years of damaging legislation and increasing bureaucracy agency work is under greater threat than ever before, and a new more determined approach is essential to try and reverse the tide of legislation, administration and unnecessary compliance demands that threatens to strangle this crucial industry’ (Trade association, Interview #27).

The Association of Recruitment Consultancies (ARC), a much younger association, seeks to address the increased levels of regulation that have threatened to ‘damage’ the industry. Other trade associations were active in the UK, but had negligible impact on the wider industry, either due to their small size or narrow area of focus. For example, the Association of Executive Search Consultants (AESCo), a 250 member worldwide
professional association for the executive search industry established in 1959 in New York. This also represented the TSI, focusing on the professionals and executive search firms which preferred to distance themselves from temporary staffing agencies (see Beaverstock et al., 2010). In 2010 its activity remained predominantly focused on the US market, and therefore had little influence in the European context. However, it sought to broaden public understanding of the executive search process, and presented the option of working as a 'portfolio worker' in higher-level professional positions. The activities of these associations, along with their characteristics, are summarised in Table 5.11.

In many cases associations would communicate in order to develop a coherent strategy for progress, the prime example of this was through the evolution of the EU Agency Workers Directive, discussed in Section 5.4. It was not only the agencies where mergers and organisational changes occurred. The trade associations, too, changed form and focus over time, in many cases to widen their representation in the market, and to develop their capacity to influence decisions which affected their industry. Contrary to the argument for reduced regulation from larger transnational agencies and trade associations, some agencies and trade unions indicated that different regulation was necessary, in the form of a license requirement for agencies. Such a move was considered by some agencies and the trade associations as a backwards step in regulatory terms, as the requirement for agencies to hold a license in the UK was abolished in 1994. Agencies and trade associations alike were keen to ensure that the control of any further changes was in the hands of the TSI rather than the government, claiming that the industry could:

'Benefit from having a properly defined and well-policed licensing system. I would prefer that our industry takes the lead as this is a subject that is, or will be, debated by each of the political parties' (Government representative, Interview #12).
| Table 5.11: Features of trade associations representing the temporary staffing industry in the UK |
|-----------------------------------------------|-----------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| **Trade Association** | **Recruitment and Employment Confederation (REC)** | **Association of Professional Staffing Companies (APSCO)** | **Association of Recruitment Consultants (ARC)** |
| **Date Established** | 2000 | 2008 | 2009 | 2004 |
| **Number of Members** | 3,750 corporate members, 5,500 individual members. | 400 | 110 | 285 |
| **Sectors** | Members operating with all levels of skilled workers in: Accounting and Financial Services, Executive, Childcare, Construction, Drivers, Engineering & Technical; Healthcare; Hospitality; Industrial; Interim Management; Legal; Life Sciences; Marketing, Media & Creative; Medical; Office administration; Education; Sales & Retail; Social Work; Technology. | Members operating with mainly professional workers: Accountancy; Engineering; Executive; assistants/Multilingual; Finance/ banking; Graduates ; HR; Insurance; Intern; IT; Legal; Media/ marketing /communication; Pharmaceutical and scientific; Property; Purchasing/supply chain; Sales. | Members operating with workers who were predominantly of managerial level: Accountancy; HR; Banking; Insurance and Legal sectors. | Those regulated by the GLA: agriculture, food processing and packaging. |
| **Relationships with other actors** | MoU with Job Centre Plus in 2009 (renewed in 2011). Regular communication with government departments, regulators, CBI, other trade association in the industry. Regular seminars with members on current issues affecting the industry. Regular contact with European social partners and Eurociett. | Ongoing relationships with key government departments and agencies including BIS and the Treasury. Regular contact with social partners and Eurociett. | Worked with Institute of Directors, the Federation of Small Businesses on responses to the Agency Workers Directive. | Frequent contact with the GLA. Worked with TUC on immigration issues. Also worked with HMRC and supermarkets. |
| **Forms of Self-regulation** | Members required to adhere to a Code of Practice. Inspections both written and in person of its members to ensure compliance with Code of Practice. 240 inspections in 2010. | Members required to adhere to a Code of Practice. | Members required to adhere to a Code of Practice. | Members required to adhere to Code of Practice and provided with a ‘Model Service Level Agreement’ – a model template for managing labour supply. |

Source: Author’s compilation from interviews and trade association websites.
The Employment Agency Standards Inspectorate (EAS) stated that if licensing were to be reintroduced in the sector, it would inhibit economic progress whilst failing to control rogue businesses (BIS, 2009). Echoing the appeal for the industry itself to decide on the outcome, one association commented:

‘The industry has differing views on licensing, which is potentially a divisive issue. The best approach therefore is to let the industry decide for itself. The recruitment industry suffers from a poor reputation, which has contributed to the erosion of margins. A robust licensing scheme should help improve the status of the industry and raise barriers to entry – but it will be for the recruitment profession itself to decide if we want licensing and what form it should take’ (Trade Association, Interview #26).

This issue, while not fully developed at all levels of the TSI, provided a succinct example of where the industry had made attempts to ensure it could influence the environment in which it operated. The result of the increasing range of legislation and regulation often increased costs to the agencies. The UK TSI relied not on the largest transnational temporary staffing agencies for its base, but on the small and medium sized agencies which were especially vulnerable to increased costs due to employment law and regulations. If the burden became too great, the smaller firms would close. In contrast to those who argued for an increase in regulation through licensing, there were also calls for further liberalisation and a reduction in ‘red tape’ for the TSI. From 2008 onwards, in the wider labour market, and in the TSI in particular, the regulatory burden on business frequently emerged as a primary problem facing SMEs. Many sought a reduction in legislation:

‘Employers, agencies, businesses have all been swamped with legislation which has cost the UK economy at least £170 billion since the early 2000s. This government needs to focus on weeding out harmful regulations in order to generate new jobs. There is a dire need to cut back on the red tape, and encourage businesses to take a much more positive view of temporary recruitment’ (Domestic Agency, Interview #21).

Vince Cable, Secretary of State for the Department of Business Innovation and Skills, in a speech on employment reform argued:

‘Around two million people find work through the recruitment sector – but the rules that recruitment businesses must comply with are hugely complex. We are going to consult next year with a view to scrapping unnecessary rules and making the remaining ones more comprehensible to business, so they can use agency workers as flexibly as possible’ (Quoted in Recruiter, 2011c).

Later in 2011, Edward Davey, Under-Secretary for Employment Relations, remarked that there was further room for deregulation and reform (Recruiter, 2011c). The Business Secretary, Vince Cable, announced a review of the Conduct of Employment Agencies and Employment Business Regulations (known as Conduct Regulations), and of the overall regime of the TSI. This was in response to both trade union campaigns, particularly from
the TUC (2006; 2007), and to discussions between the REC and BIS. Both stressed the need to look more fundamentally at the legislation governing the TSI, most crucially the ability to distinguish between the need to protect workers, and those which attempt to intervene in normal business to business transactions. This was described by the REC as:

‘A once in a lifetime opportunity for the recruitment industry to work in partnership with government to shape the regulatory landscape for the next decade. The REC will consult extensively on this and will ensure that members have a change to input their views and ideas. …Ultimately this shows that governments intend to free up the recruitment industry so that it can do what is does best, help businesses get the talent they need to compete and help workers into jobs. In the current economic environment we are please the government recognises what recruiters do is critical for the UK jobs market’ (REC spokesperson: SIA, 2011g).

One of the few restrictions for the TSI in the UK was that temporary agency workers were prohibited from being used to cover striking workers. In a report by the CBI (2010) the organisation advocated for changes to ‘modernise’, to use their words, employment relations legislation. The CBI advocated changes to allow businesses to use temporary agency workers in order to be able to cover striking workers. However, there was no consensus from other trade bodies, and the REC highlighted that if such changes were to be made, the UK would be nearly the only EU country which would allow agency temporary workers to stand in for strikers. This was in direct opposition with the views of many trade unions. One example of this can be drawn from when the Communication Workers Union (CWU) sought an injunction to stop Royal Mail (a large company which annually uses high numbers of agency workers) using 30,000 temporary agency workers to cover striking staff (BBC, 2009b). Their efforts failed and agency workers were used in this instance, but it highlighted the lengths that unions were willing to go to try and stop the use of temporary agency workers.

Trade unions, as has been hinted so far, are a further important actor in the UK TSI. Trade union membership levels in the UK peaked in 1979 and declined sharply through the 1980s and 1990s, before stabilising through the 2000s (Brownlie, 2011:9). However, temporary agency workers tended to be highly underrepresented in union membership throughout this time period - a reflection of the short term nature of TAW placements. The Labour Force Survey estimated that 14.6% of union members were temporary workers in 2010, but there was no distinction between temporary agency workers and those working on a temporary contract (Brownlie, 2011:11). In 2010 the UK had over 70 trade unions, although for many of them TAW was not an issue of high priority, as many had few or no temporary agency worker members. This was not always the case as several had campaigns and strategies related to TAW, outlined in Table 5.12.
Table 5.12: Trade unions in the UK with actions related to temporary agency work

<table>
<thead>
<tr>
<th>Union</th>
<th>Established</th>
<th>Sector coverage</th>
<th>Membership</th>
<th>Temporary Agency Workers (%)</th>
<th>Activities related to Temporary Agency Work</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication workers union (CWU)</td>
<td>1995 through merger if Union of Communication Workers and the National Communications Union</td>
<td>Communications</td>
<td>205,000</td>
<td>9</td>
<td>• Campaign on Agency Workers Directive.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Working closely with the agencies (e.g. Manpower) and hirers (e.g. BT) to ensure that the roles and responsibilities of both parties are fulfilled and there is a smooth transition for the agency workers to qualify for those rights that are applicable from day 1 and those that apply from 12 weeks in a given job.</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
<td>• Active recruitment of agency workers particularly those who work in Royal Mail - known to use large number of temps - with the aim of securing permanent contracts for those who want them.</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Responded to government consultation on the Temporary Agency Workers Directive</td>
</tr>
<tr>
<td>Public and Commercial Services Union (PCS)</td>
<td>1998 through merger of Public Service, Tax and Commerce Union and the Civil and Public Services Association</td>
<td>Civil service and government agencies</td>
<td>290,000</td>
<td>0.8</td>
<td>• Campaign for agency workers to have the right to apply for permanent posts.</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>• Campaign for agency workers and permanent workers to have comparable pay and terms and conditions.</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td>• Help organise agency workers to help them win recognition in the workplace.</td>
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<td></td>
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<td></td>
<td></td>
<td>• Responded to government consultation on Temporary Agency Workers Directive</td>
</tr>
<tr>
<td>Trade Union Congress (TUC)</td>
<td>Founded in 1866</td>
<td>All sectors</td>
<td>Federation of 58 unions representing 6.2 million members</td>
<td>n/a</td>
<td>• Key actor in determining the final terms of the European Agency Workers Directive and consequently the Temporary Agency Workers Regulations in the UK.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Lobbying EU and national government, trade associations and agencies for fair treatment of agency workers.</td>
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<tr>
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<td></td>
<td></td>
<td></td>
<td>• Responded to the government consultation on Temporary Agency Workers Directive</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Established the TUC Commission on Vulnerable Employment to act as a hub to deal with issues related to vulnerable workers of which agency workers were included.</td>
</tr>
<tr>
<td>Union of Allied Construction Trade and Technicians (UCATT)</td>
<td>1971</td>
<td>Construction</td>
<td>130,000</td>
<td>0.4</td>
<td></td>
</tr>
<tr>
<td>-----------------------------------------------------------</td>
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<tr>
<td>• Lobbying Health and Safety Executive on the problem of temporary staffing agencies ignoring safety laws and requiring agency workers to have their own personal protective equipment.</td>
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<tr>
<td>• Lobbying HM Revenue and Customs (HMRC) to investigate the conduct of employment agencies who deliberately avoid paying tax when employing construction workers. This refers to indications that some agencies required construction workers to work via the Construction Industry Scheme (CIS). The CIS is considered a form of self-employment, and therefore the agencies did not have to pay employers national insurance contributions of 12.8% per worker.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Responded to government consultation on Temporary Agency Workers Directive.</td>
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</table>

<table>
<thead>
<tr>
<th>UNITE</th>
<th>Established in 2007 through merger of Amicus and Transport and General Workers Union</th>
<th>All sectors</th>
<th>1.5 million</th>
<th>3%</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Campaign on Temporary Agency Worker Rights. Sent activists undercover to experience agency work in the Midlands to expose poor treatment.</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>• Lobbying government on implementation of EU Directive; to introduce the licensing and registration of temporary staffing agencies; to ensure enforcement of Agency worker rights and strict penalties for non compliance; to restrict the practice of replacement of core workers with agency staff on permanent/on-going “rolling” assignments and the introduction of limits on the time agency workers can be used before being offered permanent employment or the work reverting to permanent employment to outlaw the “temp to perm fee; to outlaw the supply of temporary agency workers to sites where official industrial action is taking place; to ensure temporary and agency workers have access to pension rights, training and career development and to introduce health and safety and wellbeing indicators for temporary agency workers.</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>• Responded to government consultation on Temporary Agency Workers Directive.</td>
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<thead>
<tr>
<th>Union of Shop, Distributive and Allied Workers (USDAW)</th>
<th>1947</th>
<th>Retail, distribution, manufacturing and service sectors</th>
<th>414,000</th>
<th>5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>• In 1997 made a position calling for agency workers to be given equal treatment in the workplace.</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>• In 2004 supported a TUC proposition on improving rights for agency workers. Along with the TUC, lobbied for the introduction of the Agency Workers Regulations.</td>
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</tr>
<tr>
<td>• In 2010 established a Campaign: ‘Putting Agency Worker on Fair Ground’. Established <a href="http://www.fair-ground.org.uk">www.fair-ground.org.uk</a> to raise awareness of the unfair treatment that some agency workers may face in the workplace.</td>
<td></td>
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<tr>
<td>• Produced guidance for agency workers.</td>
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<tr>
<td>• Campaigns for agency workers to join to help the Union to push for more permanent jobs in the future.</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>• Aimed to win recognition for agency workers in the workplace.</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

na = data not available. Source: Author's Compilation from Trade Union Websites and Interviews.
What is clear from Table 5.12 is that unions are active in trying to ensure fair treatment of temporary agency workers, while also trying to protect the positions of permanent workers, which may not seem at first glance to be mutually exclusive aims. However, many unions are clear to state that they are not against the use of TAW in principle:

‘There is nothing wrong with agency working. Matching employers with short-term needs with employees with short-term availability or who genuinely prefer working this way, as some do, is not just a perfectly respectable business, but good for the wider economy generating flexibility for all concerned’ (Trade Union, Interview #29).

However, they do oppose the exploitation of workers through agencies, and the dismissal of permanent workers in favour of temporary agency workers (TUC, 2008b). While the individual unions are active in displaying their views on TAW, little action has been taken in response to these views. One exception is the TUC which was involved in the final terms of the EU Agency Workers Directive.

This section has considered the different forms of regulatory mechanisms that affected the development of the UK TSI. Although these regulators and associations provided some level of protection for temporary agency workers, the absence of any formal institutions to ensure compliance meant that temporary agency workers remained to be considered ‘one of the least protected groups…in the British labour market’ (Forde and Slater, 2005: 250). The one piece of legislation that has not yet been discussed in detail, although mentioned frequently, is the Agency Workers Regulations, the transposition of the European Agency Worker Directive (2008). Examination of this piece of legislation and its development not only reveals key actors who made concerted attempts to influence the regulatory landscape, but also how the makeup of UK institutional landscape influenced the impact this regulation had in the TSI.

5.4 Influence of the Agency Worker Regulations: Pressure from Europe

The Agency Worker Regulations (2010) stem from a European agenda to try and create a ‘level playing field’ for the temporary staffing industry (TSI), both in terms of the restrictions it faces and of the treatment of temporary agency workers. It also follows a series of other European Directives designed to address non-standard forms of employment: the Posted Workers Directive (1996), the Part-time Work Directive (1997), the Fixed-Term work Directive (1999), and the Services Directive (2006). From initial proposals to the creation of the Agency Workers Directive, it received significant resistance from actors in the UK, with discussions between the Confederation of British Industry (CBI) and the Trade Unions Congress (TUC) being blamed for the collapse of negotiations around the European directive in 2005 (Smith and Morton, 2006).
5.4.1 The European Agency Workers Directive and the UK

The Agency Workers Regulations (2010) provided guidelines for treatment of temporary agency workers in terms of pay and conditions. When the Agency Workers Regulations were introduced in 2010, the UK had the largest market for the TSI in Europe, and it therefore was likely to affect a greater number of temporary staffing agencies and workers than in markets where temporary agency work (TAW) was less prevalent. Many were strongly opposed to it, with some actors describing the Directive as short-sighted:

'It would do irreparable damage to the UK’s successful temping market. Taking on temps would become much less attractive, denying many the chance to progress into full time education. Temporary work offers excellent opportunities, particularly for those on the fringes of the labour market. The TUC wants companies to have to offer full rights from day one, and this would help destroy the very jobs the unions are supposed to protect' (Transnational Agency, Interview #19).

The European Agency Workers Directive (Council Directive, 2008), hereafter denoted the AWD, stipulated there should be no unnecessary restrictions on the use of temporary agency workers, addressing the many sectoral bans which existed across Europe. This aspect of the Directive was not a concern for the UK, as temporary agency workers were already represented in all sectors of the labour market. However, it also stipulated temporary agency workers should receive equal terms for pay and conditions as permanent workers in the same institution. After a long series of discussions and consultations, the EU Parliament approved the AWD in October 2008. The principal argument from some UK actors was that the Directive would increase the costs of temporary agency workers, making their use uneconomic. Considering the UK economy used more temporary agency workers than anywhere else in Europe, there was a perception that the impact on the UK TSI would be the greatest, as Pat McFadden, the Minister of State for the Department for Business and Skills (BIS), at the time pointed out:

'Agency work is a valued route into employment and there are currently around 1.3 million agency workers on temporary assignments across the UK in a range of public and private sector roles, playing a vital role in enabling employers to respond flexibly to changing business needs. In line with the Government’s twin objective of ensuring appropriate protections for agency workers while maintaining a flexible labour market, we support the principle in the Directive of ensuring fairer treatment for agency workers along with maintaining the combination of flexibility for workers and employers provided by the agency sector’ (McFadden, 2009).

Trade associations lobbied to ensure that the minimum requirements of the AWD were approved by the European Union. The AWD was enacted by UK legislation in March 2010 via the Agency Workers Regulations (2010) – hereafter known as AWR – and came into effect in October 2011, after a series of consultations by the Government between 2009-2010. The critical influence the UK had on the final directive was summarised by a government representative:
‘The government secured a deal in Europe on the Agency Workers Regulations that allows the UK to base Britain’s regulations on the terms reached between the CBI and the TUC. This allows the UK to implement the directive in a way that gives fair treatment to agency workers but also maintains labour market flexibility but also viable conditions for agencies….It was only possible because the government engaged with Europe, actively influencing proposals from Europe, which would affect the UK economy, and UK workers. Multiple negotiations, which were often difficult took place so we could get the CBI-TUC agreement reflected in the final EU directive’ (Government representative, Interview #12).

The CBI made continued efforts to ensure that there could be a qualifying period for temporary agency workers to receive equal treatment, if they had to receive equal treatment at all. In contrast, the TUC wanted temporary agency workers to receive equal treatment from day one (TUC, 2006).

5.4.2 Processes of consultation for the Agency Workers Directive

The CBI and TUC were the two actors who were instrumental in finalising the terms of the European AWD (see TUC-CBI agreement, TUC, 2008a). Furthermore, through the REC, a wide range of temporary staffing agencies provided evidence that was then gathered for these institutions to use in their arguments. The level of involvement from temporary staffing agencies and other employment organisations is revealed by observing the respondents to the Government consultation that took place in May 2009 (BERR, 2009), printed in response to a consultation document in January 2010 (BIS, 2010a) (see Table 5.13). The responses to the consultation revealed the involvement of a wide range of actors concerned about the impending regulations and their effect on the UK labour market. Among the private companies who responded to the consultation were two large car manufacturers and two retailers considered large-scale users of agency workers.

Table 5.13: Respondents to the consultation on draft Agency Workers Regulations

<table>
<thead>
<tr>
<th>Group</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Association</td>
<td>25</td>
</tr>
<tr>
<td>Trade Union</td>
<td>15</td>
</tr>
<tr>
<td>Legal Services Company</td>
<td>11</td>
</tr>
<tr>
<td>Other private company</td>
<td>10</td>
</tr>
<tr>
<td>Transnational Temporary Staffing Agency</td>
<td>8</td>
</tr>
<tr>
<td>Domestic Temporary Staffing Agency</td>
<td>8</td>
</tr>
<tr>
<td>Individual</td>
<td>4</td>
</tr>
<tr>
<td>Council (City, Borough or Town)</td>
<td>3</td>
</tr>
<tr>
<td>University</td>
<td>3</td>
</tr>
<tr>
<td>Government Department</td>
<td>1</td>
</tr>
<tr>
<td>Independent Statutory Body</td>
<td>1</td>
</tr>
<tr>
<td>Non-Departmental Public Body</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Authors calculations from BIS (2010: 54-56).

The large number of trade associations and trade unions represented in the document indicated the wide sectoral distribution of agency workers. Noticeably, neither of the two regulatory bodies for the TSI, the GLA and the EAS, provided a response. The justification
for this was based on the concept that, as arms-length government bodies, they were already in communication with the Department for Business Innovation and Skills about the issue, and therefore further clarification of their standpoint was not necessary (Government representative, Interview #12).

Following this consultation, the government produced a guidance document about the regulations for both agencies and employers. The trade associations and unions played a defining role in formulating this guidance, and were keen to ensure that damage to the industry would be minimal. The primary concern was that the regulations would lead to reduced number of agency workers as they may no longer been seen as a viable economic option. Agencies and trade bodies alike turned to the government, expecting guidance about how to adapt to the regulations. The government constructed guidance documents about the legal implications of the regulations (BIS, 2011), while simultaneously all trade associations ran seminars and provided information to their members about future requirements for employers. This exemplifies just one situation where there has been continued communication and close relationships between the agencies, the trade bodies, and the government. Agencies of all sizes were concerned that implementation of the AWR could cause damage to the UK TSI, triggering a reduction in job opportunities. This level of input was not experienced in Germany or the Czech Republic – in fact, while the Directive applied to these other countries, they were much less concerned about its impact revealing a key difference between these national systems.

Another government representative noted that it recognised there was ‘a great welter of employment regulation that they had to be aware of’ and clarified that ‘it was not the intention of government to make things difficult for agencies, but the AWD had to be balanced against temporary agency workers rights’ (Government Representative, Interview #13). A trade union representative explained why further regulation was needed in the UK:

‘The standards of behaviour among agencies are pretty good but there are one or two bad apples in the barrel. That doesn’t mean that all agencies have standards that leave a lot to be desired – that’s far from the truth. The best protection for the agencies is to understand the regulations and make sure they are compliant’ (Trade Union, Interview #29).

In January 2010, the Labour Government confirmed a delay in implementation until October 2011. The Conservative party placed pressure on the government to delay implementations. This was based on the concern that it could cost British businesses £40 billion between 2010-20 in creating systems to monitor compliance with the proposed regulations (Recruiter, 2009). The REC had been lobbying government to delay
implementation of the Directive until the last possible moment in 2011. The delay to the implementation was, however, a disappointment to the trade unions:

‘At a time of recession vulnerable workers are even more likely to be exploited by unscrupulous employers. Agency workers are particularly prone to abuse as they have so few rights’ (Trade Union, Interview #29).

There were continued concerns about the nature of a European piece of legislation considered by many agencies as incompatible with the institutional environment of the UK:

‘There are real concerns that these EU regulations are ill-adapted to the UK labour market and could limit job opportunities at a time when flexible working options are providing a crucial route into employment…. We always believed that these regulations were the equivalent of using ‘a sledgehammer to crack a nut, however, the main effect of them will be to add more red tape and complexity to recruitment businesses rather than businesses in general’ (REC, quoted in Recruiter, 2010a).

The AWRs were criticised for taking a ‘one size fits all’ approach instigated by European institutions, and one trade body representative disputed the concept of the ‘vulnerable agency worker’:

‘The idea that an agency worker earning £100,000 per annum is vulnerable and required to be protected is simply crazy, yet the AWR apply just as much to that agency worker as another on a much lower income’ (Trade Association, Interview #26).

A temporary agency worker earning £100,000 per year, however, would not be the norm. While many agencies made concerted efforts to move into professional sectors, the TSI was still dominated by the lower margin occupations (as noted in Section 5.2.2).

5.4.3 Overview of responses to implementation of the Agency Workers Directive

Until the implementation of the Agency Workers Regulations (AWR), there was no provision in the UK for equal pay for temporary agency workers, beyond the effect of the national minimum wage. The final terms of the European AWD provided national governments with a small amount of flexibility, with derogations by national governments if there was an agreement between the social partners for employment (i.e. trade unions and employers). Such an agreement was made in the UK between the CBI and the TUC, who agreed temporary agency workers would have equal rights after 12 weeks in one assignment (outlined in Agency Worker Regulations, 2010). The regulations also included an anti-avoidance provision, whereby if it appeared that work assignments were structured in particular ways to try and stop temporary agency workers from acquiring rights under these regulations an award of up to £5,000 per person may be payable (Agency Worker Regulations, 2010). However, there were no systems outlined that
established how these anti-avoidance provisions would be identified, monitored or sanctioned if such a situation occurred.

Once the AWRs were agreed in March 2010, the Recruitment and Employment Confederation (REC) began discussions with the government about the specifics of the regulations, and how they were to be interpreted. In May 2010 there were hopes that the new Coalition government (Conservative and Liberal Democrat) would review the AWRs and make changes, but eventually none were made. This was justified by Employment Minister, Edward Davey:

‘The Government is aware of the different points of view that have been expressed by various stakeholders about certain aspects of these regulations and has been considering the way forward. However, the Government's ability to make changes to address such matters is constrained by the fact that Regulations are based to a significant degree on the agreement brokered by the previous administration between the CBI and TUC. Due to this unique legal situation, any amendments proposed to the Regulations touching upon this subject matter of the TUC and CBI agreement, which did not have the agreement of both parties, would face the risk of being set aside in the Courts in the event of a legal challenge' (Davey, 2010).

The Minister clearly highlighted the influence of the CBI and TUC in the development of the regulations. There were however, three situations where the EU Directive’s stipulation of equal treatment from the start of a TAW contract were not introduced: first, if there were collective agreements that covered provision for temporary agency workers (used widely in Europe, e.g. Germany); second if there was an agreement with the social partners (as seen in the UK); and third, if a ‘Swedish' Derogation existed where a temporary agency worker was employed under a permanent contract of employment with an agency. It is given this name as it was negotiated by the Swedish delegation to the EU given that all temporary agency workers in Sweden are employed directly by agencies. Under this model, the agency is the legal employer of the temporary agency workers, and guarantees paying workers between assignments as well as additional payments if the contract is terminated. While trade unions and the media argued the Swedish Derogation was simply a 'get out clause', agencies were keen to explain that this was a legitimate labour supply method:

‘The Swedish Derogation model has been recognised by the government, the British Retail Consortium and the Confederation of British Industry as a legitimate option for temporary employees. It will offer them flexibility in their work as well as the stability of on-going employment' (Retailing spokesperson, quoted in Recruiter, 2011a).

By January 2011 (just 4 months after the implementation of the Directive), the Swedish Derogation led to problems in the UK. Demonstrations were held in Burton-upon-Trent outside an Argos branch where workers had been asked to sign a Swedish Derogation contract or lose their job. Unite, the UK’s second largest union labelled the situation a ‘pay
apartheid’ (Recruiter, 2011e). Large companies that adopted the Swedish Derogation included Carlsberg (drinks manufacturer), DHL (logistics), Marks & Spencer (retailer), Park Cakes (food manufacturer), Tesco (supermarket) and Yell (online directory). Of the larger transnational agencies, Adecco said that, at the time, only a few hundred of its 15,000 temporary agency workers were employed through derogation, while Randstad expected to use this model for teachers, where rigid pay scales made it hard for schools to hire experienced agency workers. In addition, Pertemps remarked that fewer than 10 per cent of its clients had considered using the derogation (Financial Times, 2011). The Swedish Derogation was adopted most frequently in low-wage sectors such as logistics, food and manufacturing.

In a discussion with László Andor, European Commissioner for Employment, Social Affairs and Inclusion, Conservative MEP, Martin Callanan stated that the AWD in the UK had already cost £1.8 billion by 2011. He argued that it did not foster flexibility, but in fact fragility and was in general a drag on European labour markets. When Andor attempted to outline the benefits of the AWD, and its ability to foster flexicurity, Callanan simply rebutted that this was ‘Euro-jargon’ (BBC, 2011). This exhibition of hostility to European legislation reflects the fact that the institutional environment in the UK until the AWD was implemented faced very few restrictions, or legislative controls, beyond those experienced for all forms of employment.

Four key actors were involved in the final formation of the Agency Workers Directive: the TUC, the CBI, REC and the Government. In particular the REC and CBI ensured the possibility of a 12-week qualifying period before principles of equal treatment were required. However, behind these actors were the temporary staffing agencies themselves, transferring the task of lobbying for the rights of the TSI to the organisations that operated in the policy spheres with greater ability to influence regulation.

The AWRs were an effective instrument for exposing the effect of a different institutional environment for the TSI. The European AWD did not have the effect of removing restrictions on the UK TSI as it did in other areas of Europe (such as Greece or Spain). However, it had a greater impact over the issue of equal pay and conditions, where no such provisions were previously in place. While there has been much discussion over the implementation of the Directive, less attention was paid on how to ensure the regulations were correctly implemented, or how compliance will be monitored. The impact of the EU Directive across Europe will be an important area of research in the future, as well as the business models which emerge in the TSI to cope with it.
5.5 Employment, skills and the UK temporary staffing industry

The development of the Agency Worker Regulations (AWRs) in the UK demanded a great level of involvement from the state. A further area where the state has developed a relationship with some actors in the temporary staffing industry (TSI) is through public employment services (PES), in particular through specific public-private partnerships (PPP). The next section explores the public employment service as an alternative form of labour market intermediary in the UK, and its relationship to the TSI.

5.5.1 Interactions of the UK temporary staffing industry and public employment services

The UK has displayed one of the longest commitments to Public Employment Services (PES) in Europe, and 2009 marked the centenary of the first form of government-initiated labour market intermediary – the labour exchange (Price, 2000). The primary purpose of the PES was to compensate for market failure and insufficiencies in the labour market by providing means to match labour supply to demand. In contrast to private sector labour market intermediaries, PES also had a social obligation to try and help people out of unemployment, rather than just a pursuit of profit.

The UK PES underwent various reforms during the 1980s and 1990s, due to the development of new welfare-to-work schemes, most notably the New Deal (1998) and the Flexible New Deal (2009). Examination of these schemes illustrates an increasing role for temporary staffing agencies (and the private sector more generally) in the operation of the PES. In the mid-1980s approximately 90 per cent of all job seekers left the unemployment register within a year, as the PES was relatively efficient, meaning that the role of private sector agencies remained limited (DWP, 2008a). The New Deal established involvement from community and voluntary actors in providing employment opportunities for a range of those deemed as disadvantaged groups of people: The New Deal for Young People; 25 plus; lone parents; disabled; 50 plus; and musicians (DWP, 2008a). In 2000 the development of early public-private partnerships (PPP) were established with private actors in regions of economic deprivation in the creation of fifteen Employment Zones (EZ) (Bruttel, 2005; DWP, 2001).

In 2002, the PES was remodelled with the creation of Jobcentre Plus (JCP), combining the functions of benefit payment (Benefits Agency) and the provision of job search and counselling services (Employment Services). At this stage, contracting out became an important feature of the PES service, taking three forms: contracts with actors in the private and voluntary sector to provide specialised training or counselling (CV advice etc.); aspects of the New Deal Programmes were outsourced to private and voluntary sector agencies; and the creation of Employment Zones where temporary staffing agencies were involved in assisting jobseekers find employment (Tergeist and Grubb, 2006). JCP was
designed to create a 'one-stop centre' for all benefit recipients, and a 'principle of work-first and a performance management regime to sustain it' (Wiggan, 2007:419). In contrast to most other European PES, the JCP has no policy-making authority, and decisions lay with the Department for Work and Pensions (DWP). Therefore it was considered one of Europe's most centralised PES (Weishaupt, 2011).

Many examples exist of Public-Private-Partnerships (PPPs) in different areas of the UK economy, including infrastructure, healthcare and education, but in many countries in Europe few PPPs exist in the labour market (Adecco Institute, 2008; Arellano et al., 2008). In 2007, a report commissioned by Gordon Brown – then Chancellor of the Exchequer – made a key recommendation that a more systematic involvement of the private and voluntary sectors to deliver tailored back-to-work programmes for the long term unemployed should take place (Freud, 2007). These recommendations were reflected in the Flexible New Deal, which replaced the previous New Deal schemes (Work and Pensions Committee, 2009). Under this scheme, JCP remained responsible for job seekers during the first 12 months, after which they would be referred to third sector or private agencies, thus privatising the supervision of a large share of the long-term unemployed. The justification for this was that the 'one size fits all' approach of the JCP was not adequate. This marked the intensification of agency involvement in the public employment service, whereby contracts were awarded to large agencies at a regional level, which in turn awarded sub-contracts to smaller, specialised, local providers. This reduced the number of contracts that the DWP issued - in 2002 the Department had contracts with over 1,000 organisations, falling to around 800 in 2009 (Karagiannaki, 2007; Work and Pensions Committee, 2009). Collaboration between temporary staffing agencies and JCP represented a significant change for the UK TSI. The two actors were no longer seen as competitors, but as complimentary features of a labour market. This was explained by an agency regional manager:

‘In the past, recruitment agencies would have seen Jobcentre Plus as a competitor, but we are all in the same business – the business of finding jobs for the unemployed, so it makes sense to join up our efforts and draw on each other's expertise – which will in turn offer our customers multiple opportunities to find work’ (Domestic Agency, Interview #21).

This was echoed by a trade association, who explained:

‘Traditionally, especially at a local level, the two [agencies and JCP] saw each other as competition and to some extent that has been eliminated. The way the job centre collects information about people who have been placed into work has changed as well, and often more generally we are looking at the welfare to work agenda, the flexible new deal, getting people work ready and seeing our members [agencies] as part of that chain’ (Trade Association A, Interview #25).

Temporary staffing agencies and JCP shared the common goal of getting people into work, albeit with different underlying motives. For agencies, advertising vacancies through
JCP offered an affordable and convenient way to source potential candidates from the local community. The Labour Force Survey for 2009 revealed that around 15% more people found employment through an agency than through JCP, indicating a preference, or perhaps greater efficiency, of the private sector in this role (LFS, 2010). There was clear confidence in the superiority of the private sector in terms of delivery of service from the government, and an increasing incidence of a ‘public role for the private sector’ (Haufler, 2001). The private sector was considered to be creative and dynamic, bringing ‘access to finance, knowledge of technologies, managerial efficiency, and entrepreneurial spirit’ (United Nations, 1997:13).

This standpoint received criticism from the TUC and the Public and Commercial Service Union (PCS) which claimed that JCP had an excellent record in delivering employment programmes, and did not require private sector involvement. The development of PPPs in the UK labour market allowed the TSI to incorporate their experiences into the operations of the PES, and expand their influence on existing programs. Many agencies developed substantial cooperation with local job centres, though the quality of this partnership appeared to largely depend on the job centre itself, and the geographical location:

‘Public sector services are sometimes more accessible than some private sector recruiters. Anything that can merge the strength of the two is welcomed and that is going to require lots of work to ensure that it does function effectively, and I think what we see is that it's very patchy, we know from talking to our members that some Jobcentre Plus's are excellent, and some are completely useless. If we can find a level of consistency where you've got the two [agencies and JCP] working together JCP can act as a funnel for people, a central point where people can go….and agencies are better at shaking down the labour market to find out where the work is and can find them work’ (Trade Association, Interview #25).

Unfortunately, according to some agencies, JCP failed to adapt to the changing labour market situation, where there was an increasing number of professional and managerial occupations, which it was not originally designed to deal with. As one agency manager discussed:

'We get a lot of people coming to us after giving up with the job centre, after months of no work and having to have continuous meetings with JobCentre Plus people about their “employment progress”. We’ve had a lot more professional type workers coming to us after going to Jobcentre Plus and finding none of their support appropriate, they didn’t need basic I.T. training, or want to work as a cleaner. They just didn't have the facilities to be able to find suitable work positions for those with higher skill sets' (Transnational Agency, Interview #19).

As JCP was developed to primarily deal with the low skilled unemployed, it was not well suited to providing advice and services to those seeking jobs in professional and managerial positions, as one government representative explained:
'We weren't used to dealing with highly skilled clients. Most of the people that pass through here end up working in retail, administration, cleaning or things like that. The last year or so we've had a lot of previous business owners whose businesses shut down and their first port of call was the job centre, but we have to disappoint a lot of people...This will change, we will adapt and make sure there are appropriate services available to ensure we can find suitable work for the managers and professionals that come to us, but we need time to adapt' (Government Representative, Interview #15).

In 2009, the government acknowledged it needed to improve the JCP services, recognising that it did not appropriately cater for professionals, who in many cases would be directed to temporary staffing agencies: 'Jobcentre Plus is not out to compete with private recruitment agencies, but in certain circumstances jobseekers would be referred to an agency' (BBC, 2009a). The Department for Work and Pensions (DWP) used the expertise of the TSI to deliver job search advice and help to those from professional and/or executive occupational backgrounds. Agencies were commissioned by the DWP to give newly unemployed professionals the knowledge they needed to get back into employment.

'This year has resulted in a new initiative – job search for newly unemployed professionals - £5 million for our members to advise professionals about how to find a job in the modern labour market. So Jobcentre Plus refer them and the agencies get paid to give advice, because if you haven't looked for a new job in the last decade, how you look for a job has changed considerably with the use of the internet, social networking sites, as well as traditional things like updating your CV, interview techniques. But also, the growth of specialist agencies just didn’t exist 10 year ago so it’s about using the skills of our members to advise people who job centres aren’t used to advising and don’t really have the expertise to deal with...It's a good example of how we can add value by working together' (Trade Association, Interview #24).

A Survey of Partnership Activity conducted by JCP revealed three key facts about the involvement of agencies: that 23% of all JCP offices received support from agencies in placing staff; that agencies had the most success in placing people from the long-term unemployed category; and that agencies were most successful in placing people in manufacturing, construction and call centre sectors (DWP, 2005). Adecco, a leading transnational, summarised their position with JCP:

‘Our ethos is based around community recruitment, making our branches accessible to local job hunters and tailored to local job opportunities. Our branches are actively tasked with building relationships with local jobcentres to improve the range and scope of candidates we can offer, and this survey shows the benefit of that approach’ Adecco Website (www.adecco.co.uk).

There was an indication that, in some cases, the collaboration merely took the form of the JCP conducting interviews through agencies. However, agencies also became involved in making suggestions to the government regarding skills improvement. In 2007, Adecco presented a report to the Department of Education and Skills outlining how the skills
improvement process could be targeted at younger workers (Adecco Institute, 2007). This indicated that agencies had moved beyond simply delivering employment services at the request of the state to making efforts to shape the future of employment policies too. A government representative summarised this:

‘The agency sector is a key part of the UK’s flexible labour market. It provides the flexibility needed for employers to meet surges in demand, cover temporary absences or cope with seasonal fluctuations and provides a route into employment for thousands of individuals. Agencies have a huge role to play in the Government’s strategy to use the private sector to deliver welfare to work services, and provide this route. They also give us with information about the labour market and in some cases provide detailed evidence of where greater effort is needed’ (Government Representative, Interview #13).

The relationship between the state (via JCP) and the TSI was extended and formalised through an MoU with the REC, signed in 2009, and renewed in 2011 (DWP, 2008b). The prime motivation of the partnership was to outline specific areas of co-operation in helping individuals into work, with a focus on four forms of operation: helping individuals seek training opportunities to increase the chance of employment; providing guidance to employers about providing training; providing employers with support for helping individuals from a range of circumstances to find employment; and finally to challenge unfair unemployment policies and share expertise and knowledge of the most efficient mechanisms for helping people get back into employment (DWP, 2008b). An REC representative outlined the importance of the MoU:

‘On a strategic level, the Memorandum of Understanding is recognition for the role that recruiters play in helping job-seekers get into work and for the huge progress that has already been made in terms of public-private sector co-operation. On a practical level, the open discussions that will follow the signing of the MOU will provide an opportunity for REC members and JCP officials to exchange views on issues such as the latest outlook for the jobs market, specific challenges facing different categories of jobseekers and enhancing local level partnerships between Jobcentres and agencies’ (REC, 2010).

Claims were made that thousands of people had been placed back into work through this agreement (DWP, 2008b). As indicated earlier, many agencies were developing their interaction with JCP through the provision of services and guidance for more professional occupations, which JCP was not suitably equipped to deal with. It was hoped that the MoU would lead to further unemployed professionals experiencing the opportunity to access support from specialist recruitment agencies.

The state has increased the level of involvement of the private sector in their labour market intermediary, Jobcentre Plus. Initially designed to assist the low skilled unemployed back into employment, JCP has adapted to a changing composition of the unemployed. Assistance from agencies and trade associations has provided expertise that was yet to be developed inside the organisation. Through involvement with the state
agencies, agencies have sought to project the image of legitimate partners in employment services, and therefore as a legitimate intermediary in the labour market at large. However, the TSI still faces a number of problems related to further expansion.

5.5.2 Factors affecting the development of the UK temporary staffing industry

The UK TSI continues to face a number of growing challenges which are likely to affect its future: skills shortages in the wider labour market; government funding cuts; new innovations via the internet; and the image of the industry. Like many countries in Europe, by 2010 almost every sector of the labour market experienced a shortage of skills and well-qualified workers, particularly the IT, educational, financial, medical and engineering sectors (EC, 2010a). This was a common phenomenon across Europe, stemming from a lack of appropriate vocational educational programmes and demographic changes (Schlotter, 2008). Many agencies commented on how vital access to workers with the right skills was, and that a risk of not being able to fill vacancies was seriously hampering growth. However, agencies may have in turn been reproducing this skills shortage though enforcement of short-term work patterns and a failure to invest in skills training. One transnational agency made their views clear:

‘What began as a financial and economic crisis has evolved into a workforce crisis – and employers are struggling to adapt to a rapidly changing marketplace and the growing mismatch between needed skill sets and available talent. As employers and employees alike move towards a more flexible way of working to suit lifestyle change, it is time to start leveraging the contingent workforce strategically to gain access to people with scarce, specialised skill sets: outsource non-core business function, try out candidates before hiring for full time positions, and provide longer-term workforce flexibility’ (Manpower, 2009).

It was evident that a greater level of training was needed across the labour market to address this problem, and that this would require investment from all actors in the labour market. In March 2010, Hays (another transnational agency) outlined its manifesto for employment, detailing the shortcomings of the UK job market and proposing a plan which the future government could adopt. The key argument of the report was that the UK was losing its competitive position as a centre for employment (Hays, 2010). Many agencies felt more should be done to help the unemployed in the UK, in order to avoid a substantial skills gap in the future, and that temporary staffing agencies could play a key role in this:

‘Agencies can take part in this. We need to see more work experience and apprenticeships through recruiters. We place a lot of people with clients after giving them a few weeks of working experience within our company. The biggest challenge is giving people the opportunity, and making sure that when we bring people in we are helping them by building their confidence and helping position themselves for when they are in an interview situation. Recruiters have a wider responsibility in the labour market, we don’t target just younger people or older people but across the population’ (Transnational Agency, Interview #18).
This agency representative highlighted how agencies have become involved in moving workers into a position to gain skills, but do not actually provide training themselves. This is in contrast to some of the agencies in Germany, as will be discussed in Chapter 6, where agencies themselves provide training courses in order to develop appropriately skilled workers. While the government recognised the benefit of agencies, and used their skills in making the public employment services more efficient in placing workers, in other areas of the labour market agencies were being targeted for specific areas of cuts in funding. This is best exemplified through the health sector, which had significant growth in the number of agency workers, with the National Health Service (NHS) becoming a major user of qualified temporary agency workers, often through government contracts (TUC, 2007). In December 2010 the government wished to cut the budget for agency workers by 45% (Department of Health, 2011). The trade associations were quick to justify the use of temporary agency workers in healthcare, and also tried to refute the claim that temporary agency workers were more expensive than those on permanent contracts:

‘The government and the NHS needs to review the out-dated perceptions about the cost and value of agency staffing: failure to do so will jeopardise the stated mission of developing a fully flexible and dynamic workforce within the NHS. The reality is that flexible staffing arrangements provide value for money and are a means of responding effectively and quickly to patient needs. Using specialised recruitment agencies with a commitment to the highest standards one of the best ways of ensuring the security of staff supply’ (Policy advisor for REC Medical Sector group, quoted in SIA, 2010h).

This urge to cut the use of temporary agency workers in the NHS was echoed again in Wales, where the head of NHS Wales demanded the health service stop spending millions on temporary agency workers, due to the difficult financial climate. He quoted £50 million spent on temporary agency workers, preferring the establishment of a suitable permanent workforce (SIA, 2012b). While some of these actions stemmed from national actions, such as government cuts, impacts from being situated in Europe were also important.

Not only did the legislation originating from the EU present a number of challenges for the UK TSI, it also had further implications. In addition to pressures at a national level, there were implications for the UK TSI due to regulatory changes which occurred elsewhere in Europe. If the TSI increased dramatically elsewhere in Europe, it would present opportunities as well as challenges for UK domestic agencies. It would make it easier for UK temporary staffing agencies to set up elsewhere in Europe and attempt to expand into other markets. Conversely if the TSI expanded in Europe, job opportunities may appear more attractive outside of the UK. The impact of a harmonising piece of legislation across the whole of Europe therefore may reduce the institutional advantage previously experienced in the UK.
The Financial Editor of the Evening Standard warned that ‘tectonic shifts’ in the economic world would change the dynamic between agencies and employers, and that in order to survive agencies would have to move up the value chain and offer a wider range of services rather than just short term labour supply (SIA, 2010g). This is an argument, however, that has been present since the initial development of the TSI and these ‘tectonic shifts’ have yet to emerge. Concerns were raised that temporary staffing agencies faced the risk of disintermediation (in the sense of a decline of physical labour market intermediaries) as a result of the growth of online media services such as LinkedIn, Gumtree and even Facebook, alongside the growing number of online job boards, such as Monster, and a growing range of specialised job websites. The continuing effect of online recruitment remained a concern for many agencies however, as one industry commentator pointed out:

‘People thought it [the rise of internet job boards] would affect the industry but it hasn’t. The major users of these job boards are the staffing companies themselves….People have said the same about LinkedIn, where you can find a number of people with the right sort of skills that you’re looking for. What they overlooked is that the staffing companies use all these methods as well, and the staffing companies are doing this on a full time basis, so they always going to be doing it a bit more efficiently, and at a lower cost than a direct employer could do themselves’ (Industry Commentator, Interview #32).

Online recruitment has provided another opportunity for agencies to adapt to their environment, acting as an agent of technical innovation in the labour market. Despite the efforts of agencies and trade associations to improve the image of the TSI and ensure its expansion, repeated cases of unfair practice by agencies have continued to damage the industry's reputation. An example from 2009 involved a group of construction firms, fined £39.2 million by the Office for Fair Trading, and accused of bringing the TSI into disrepute. The firms were fined for operating a cartel, and were questioned by REC through its professional standards committee (REC, 2010b). In 2011, Royal Mail received complaints against its in-house agency (Angard Staffing Solutions) claiming it was 'a deliberate attempt to get around the agency regulations and a clear sign of Royal Mail preparing to casualise the industry' (Recruiter, 2011b). Royal Mail were quick to highlight that their use of in-house agencies was standard practice for many companies who use a lot of temporary agency workers in order to deal with the large number of workers it required, not to cut costs (Recruiter, 2011b). Royal Mail has been a consistent user of temporary agency workers, with seasonal peaks in winter to deal with a dramatic rise in demand for postal services on the approach to Christmas (on average around 18,000 extra workers per annum). A series of protests were held across the UK against Royal Mail, by temporary agency workers over unpaid wages – including claims that, in one case, a worker was paid 1p rather than £200 (SIA, 2012a). The incident received significant media attention (Guardian, 2010), further damaging the image of the TSI. In comparison, the
up roar over in-house agencies was significantly less to that experienced in Germany, where the practice of using in-house agencies was more prevalent (discussed in Chapter 6).

5.6 Summary

This chapter has presented the national system for the temporary staffing industry (TSI) in the UK, demonstrating that while it is the most mature market for the temporary staffing in Europe, it is still developing. The maturity of the market is clearly identified in terms of its size compared to elsewhere in Europe, and its presence across labour market sectors. The UK hosts one of the oldest temporary staffing industries in the world. Historically, the TSI had very low barriers to entry and therefore it has attracted a high number of agencies, which resulted in great variations in quality. The TSI in the UK remains highly fragmented, and despite the presence of some of the larger transnational agencies, the majority were small independents. Since the 1980s, a significant amount of restructuring has taken place in the UK TSI, as agencies gradually coalesced into larger groups. The relatively long history of TAW created an arena for a complex institutional framework for the TSI.

These agencies operate in a wide range of labour market sectors. Agencies have sought to expand into more professional sectors of the labour market, although the bulk of their work remains in the high volume low margin positions. This is increasingly through large scale contracts both in the public and private sector. To complement their function as an intermediary for the low skilled (and often high volume) workers, agencies sought to cement their position through expansion into more professional markets. Therefore the role of the temporary staffing industry in the UK has several layers. It serves as an intermediary to place workers in a range of professions, but despite what agencies and trade associations would lead the public to believe, the bulk of temporary staffing remains in the low skilled sectors. This role has been extended through the interaction of many agencies with the public employment service. Public private partnerships between agencies and public employment services add another dimension to the activities of agencies beyond simply placing workers.

Temporary staffing agencies have sought to secure their position in the labour market as a legitimate employer through their public private partnerships with the state and its public employment services. Agencies are keen to be considered as a legitimate actor in the labour market, which was a prime motivator for the development of PPPs with JCP and local employment authorities. To some extent agencies are attempting to rebrand themselves as partners for public employment services. National reforms to the public employment service reflect the institutional legacy of liberalisation, and the ideology of the
'arms length' involvement of the government, alongside the superiority of the private sector. The extension of activities hints at the agenda of temporary staffing agencies to achieve the status of legitimate employers: the majority of agencies aim to promote themselves as responsible employers working with trade unions and in line with the REC's Code of Practice (if a member). The trade associations themselves are seeking to expand their membership, in some cases through mergers to promote the use of flexible working in the labour market. In developing links with other actors in the market beyond their temporary agency members, they seek to promote themselves as legitimate employment commentators.

The UK TSI was a function of not only the national arrangement of institutions, but also as a result of its wider European context. Since 2010, agencies experienced increased pressure from EU legislation, which sought to harmonise the conditions between temporary and permanent workers via the Agency Workers Directive. While this Directive had a wider aim of removing unnecessary restrictions on the TSI across Europe, few restrictions remained in the UK. The 'neoliberal' nature of the TSI in the UK left it more exposed to wide reaching European influences which sought convergence. As the effects of the AWD would only be felt after December 2011, future research will be needed to examine the extent of its effects.

The UK TSI therefore reflects the presence of a variety of legal, political, economic and social factors associated with changes to labour market and wider economy. From the exploration of the UK a number of issues which are important for considering variegated capitalist systems can be highlighted. First, despite being considered a liberal political economic system, this feature meant it was subject to greater re-regulation to bring regulations in line with the rest of Europe. This suggests that while national institutional arrangements are key to determining features of the TSI, the European context cannot be ignored. Second, the UK TSI has experienced of a blurring of the boundaries between the functions of the public and private sector labour intermediaries in the form of joint partnerships between job centre plus and temporary staffing agencies. This represents to some extent a reduced role for the state, and a reliance on the private sector in attempt to assist people into employment. This highlights the importance of considering not only the institutions present a national system but also the relationships, and in particular the interdependencies between them, in order to understand more fully the operation of the system.

Third, the UK TSI, has progressed beyond the low skilled placement of workers typically associated with temporary staffing agencies, it has sought to a greater extent to ‘professionalize’ and in doing so move beyond the barrier of a what was considered to be
a saturated market. Temporary staffing agencies have sought to expand their operations, moving beyond their traditional institutional space with a greater range of activities beyond placement of workers to a range of HR solutions in response to a changing market. The implication of this for studies of variegated capitalism is that emphasis should be placed on the changing nature of institutions and the ways in which they adapt as markets mature and shift to suit market demands and conditions. The following chapter seeks to examine a neo-corporatist political-economic environment, presenting a further distinctive form of national TSI in Germany, thus providing evidence for the variegated nature of the industry.
6 The German temporary staffing industry: growth, development and scandal

6.1 Introduction

The Economist (1999) once named Germany as 'the sick man of Europe' referring to its inflexible and tightly regulated labour market. It has also been termed 'a bumbling behemoth beset by chronic unemployment and pathetic growth' (Time, 2001). Yet twelve years later the Economist explained how Germany, now termed the 'growth engine', was facing a continued economic boom with indications that growth in GDP could easily reach 2.5% in 2011 and 3% in 2012, making it one of the strongest markets in Europe (The Economist, 2011b). The German central bank revealed that the German economy took a major step towards recovery in 2010 with an upturn in GDP that was expected to continue in the next two years around the rate of 1.5-2%, with a considerable amount of growth in employment attributed to the increase in the use of temporary agency work (TAW) (Deutsche Bundesbank, 2010).

Temporary agency work (TAW) has been permitted in Germany since 1972, after the establishment of the Arbeitnehmerüberlassungsgesetz (AUG) - or Temporary Employment Act - when many legal restrictions were eliminated. By 2010 the number of temporary agency workers had reached 793,000 (Statistik der Bundesagentur für Arbeit, 2011). Despite such growth in terms of the number of workers, the proportion of TAW in overall employment did not reach higher than 2.0% (BA, 2011). Wages and conditions for TAW in Germany are stipulated through collective agreements, negotiated by the trade unions and trade associations. As such, the relationships between the institutions involved in collective bargaining are central to the German temporary staffing industry (TSI). The institutional arrangement for the German TSI is displayed in Figure 6.1.

In comparison to the UK, in Germany there are a greater number of trade unions involved with issues related to TAW. This is largely related to the aforementioned issue of collective agreements, but also a much stronger trade union tradition in Germany. Although trade union membership has declined dramatically in Germany since reunification, falling from 13.7 million workers in 1990 to 8.5 million in 2005, their role in determining features of the TSI remained prominent (EC, 2011). In addition, Works Councils – a panel of employees who represent the interest of workers in a firm – were also present. While legally independent from trade unions (a majority of work councillors also being members of trade unions), they tended to hold similar viewpoints with a negative view of TAW (Goerke and Pannenberg, 2007).
Research so far conducted on TAW in Germany has largely been descriptive in nature, identifying features and patterns in TAW but revealing little about the key components of the German TSI (Burda and Kvasnicka, 2004; Weinkopf, 2009; Jahn and Rosholm, 2010; Jahn, 2010; Jahn and Bentzen, 2010). In contrast to the UK the German institutional landscape for temporary staffing is a system historically characterised by strong state influence, where significant restrictions have applied, and therefore the expansion of TAW has been slow. However, since legalisation in the early 1970s, the TSI has undergone significant changes in terms of size, features and role, providing another example of a distinct national arena for the TSI.

Drawing upon a series of interviews with key actors in the market, this chapter explores the different elements of the German TSI. Section 6.1 discusses the development of the industry through examination of changes to temporary staffing agencies and the temporary agency workforce. This is followed by an exploration of regulation of the TSI, which includes a discussion of the background to the regulation, emerging links between temporary staffing agencies and public employment services, and the importance of collective bargaining. Having introduced the key actors in the German TSI, Section 6.4 discusses issues which illustrate relationships in the system, such as the use of in-house temporary staffing agencies and the development of a minimum wage for temporary
agency workers in Germany. Despite the efforts of temporary staffing agencies and trade associations, the TSI is often associated with negative experiences of work in Germany, largely due to the efforts of the trade unions and media, and these issues are also covered. The chapter concludes by drawing together these discussions and summarising the key features of the German TSI.

6.2 Overview of the German temporary staffing industry

The German temporary staffing industry (TSI) has experienced substantial growth since the early 1970s, with particularly rapid growth since 2003 (BA, 2011). Between 2008 and 2009, the market for temporary staffing increased by approximately 25% to €14.6 billion, and rates of growth in future years are expected to exceed 6% (BZA, 2010). This section seeks to explore the features of this growth, examining the proportion of temporary agency work (TAW) as part of the wider labour market, the growth in the number of temporary staffing agencies and their characteristics, and the characteristics of the temporary staffing workforce.

The penetration rate of TAW in the German labour market more than trebled between 1996 and 2010, by which time it had reached 1.9%, as displayed in Figure 6.2 (BA, 2011). Despite such increases, TAW failed to expand beyond 2.0% of overall employment in Germany, this compared to 3.0% in the UK in 2010 or the European average of 1.5% (Ciett, 2011).

Figure 6.2: Temporary agency work penetration rate, 1996-2010

Source: BA (2012).
The financial crisis in 2009-2010 led to large reductions in the use of TAW. By April 2009 the number of agency workers had dropped to 580,000, and the penetration rate falling to 1.5% (Ciett, 2011). By 2010, with around 2% of the labour force involved in TAW, the importance of temporary staffing in terms of numbers remained still relatively small, but nevertheless constituted a growing share of total employment. Since the late 1990s the wider labour market in Germany experienced significant reductions in unemployment, largely attributed to growth in employment in the ‘contingent’ areas of the employment market (Kalleberg, 2000), predominantly low paid jobs (such as low level retail, or cleaning jobs), fixed term contracts, full time jobs that are attached to extremely low wages (and therefore make these workers eligible for additional benefits from the government), and temporary agency work (BAP, 2011b). The latter was considered by the Federal Employment Agency (BA) to be the most dynamic, fast-growing and macro-economically important area of these so-called contingent forms of work (BA, 2011). Patterns of TAW growth followed that of the growth of GDP closely (as also witnessed in the UK) (see Figure 6.3).

**Figure 6.3: Temporary agency work and GDP in Germany, 2001-2010**

![Graph showing the relationship between temporary agency work and GDP in Germany from 2001 to 2010.](source)

Despite such sharp reductions, temporary staffing agencies were confident that Germany was a strong market for the TSI and that growth in TAW would follow growth in the wider economy.
6.2.1 Temporary staffing agencies

Market access for temporary staffing agencies in Germany was historically restricted by regulations, in the form of sectoral bans and restrictions on the length of assignments (Eurofound, 2008). However, successive waves of deregulation have allowed a greater use of temporary agency work (TAW) in the labour market. Steady growth in the number of temporary staffing agencies in Germany was experienced between 1996 and 2007 (see Figure 6.4). In this time period the number of agencies grew from 2,739 to 9,465 - a 231% increase. As in most countries in Europe the financial crisis led to a decline in the number of agencies, which fell to 6,049 in 2010 (Ciett, 2012).

Figure 6.4: Number of temporary staffing agencies in Germany, 1996-2010


Similar to the UK, the market for temporary staffing agencies has remained fragmented. Even the largest temporary staffing agency in Germany, Randstad – which in 2008 had an annual revenue of nearly €1.9 billion and placed 63,000 temporary agency workers – had a market share of just under 10% (Lünendonk, 2009). Furthermore, half of these agencies had less than 20 workers on their books, 36% had between 20-100 workers, and only 14% had more than 100 workers (BA, 2012). This fragmentation was described by a regional manager of a leading transnational agency:

‘In many regional labour markets in Germany there are a multitude of agencies, in smaller cities there are often dozens, in medium-sized towns hundreds, and in a few large cities sometimes more than 500 temporary staffing agencies on the market. Agencies have penetrated every level of the labour market in Germany’ (Transnational Agency, Interview #43).
This is not a surprise when viewed in the wider context of the Germany economy, which is characterised by its large number of small and medium-sized enterprises (SMEs) - those with under 500 employees (Federal Foreign Office, 2008). These constituted 97% of all businesses in Germany and are described as the backbone of the economy (BWT, 2011).

At the top end of the market, there is a strong presence of German agencies - only six foreign transnationals in the top 20 agencies in the country (in terms of revenue) (see Table 6.1). The difference between the revenues of the largest and smallest of these top 20 agencies illustrates the variation in size of agencies. Furthermore, this variation reinforces the supposition of smaller agencies dominating the German TSI.

Table 6.1: Top 20 temporary staffing agencies in Germany by revenue, 2006-2010

<table>
<thead>
<tr>
<th>Firm</th>
<th>Firm Origin</th>
<th>Revenue in € (millions)</th>
<th>% Change</th>
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<tbody>
<tr>
<td>Randstad</td>
<td>Netherlands</td>
<td>1,057</td>
<td>1,729</td>
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<tr>
<td>Adecco</td>
<td>Switzerland</td>
<td>474</td>
<td>1,297</td>
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<td>Manpower</td>
<td>USA</td>
<td>466</td>
<td>596</td>
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<td>Personal Service Verwaltungs</td>
<td>Germany</td>
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<td>538</td>
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<td>Autovision</td>
<td>Germany</td>
<td>198</td>
<td>443</td>
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<td>I.K. Hoffman</td>
<td>Germany</td>
<td>183</td>
<td>310</td>
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<tr>
<td>Zeitarbeit –Gesellschaft</td>
<td>Germany</td>
<td>215</td>
<td>285</td>
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<td>Trenkwalder</td>
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<td>Pienig Personal-Service</td>
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<td>Job AG</td>
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<td>DB Zeitarbeit</td>
<td>Germany</td>
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</table>

na = not available.

Source: Authors calculations using data from Lünendonk (2008; 2010; 2011).

Table 6.1 illustrates that even in a short period of time (2006-2010) a significant change occurred in size of the revenues accrued by the top agencies. From this Table two additional comments can be made: first, all agencies that remained in the top 20 experienced a growth in revenue, the greatest being experienced by Adecco (173.6%) and USG People (173%) - both transnational agencies in the top 10 in Europe in terms of revenue; second, over this time period there was little change in terms of which agencies were present in the top 20 - the three agencies not present in 2006 were 7 Personal, Tempton Holding and Piening Personal Service - all German agencies. Examining the number of agency workers for these agencies reveals a slightly different order for the top
20 agencies, although at the top end the order remains similar – the agencies with the largest revenues seem to be those with the largest number of agency workers (see Table 6.2).

Table 6.2: Temporary agency workers in the Top 20 temporary staffing agencies in Germany, 2006-2010

<table>
<thead>
<tr>
<th>Firm</th>
<th>Firm Origin</th>
<th>2006</th>
<th>2010</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Randstad</td>
<td>Netherlands</td>
<td>40,500</td>
<td>43,500</td>
<td>7.4</td>
</tr>
<tr>
<td>Adecco</td>
<td>Switzerland</td>
<td>20,000</td>
<td>29,343</td>
<td>46.7</td>
</tr>
<tr>
<td>Manpower</td>
<td>USA</td>
<td>20,000</td>
<td>20,500</td>
<td>2.5</td>
</tr>
<tr>
<td>Persona Service Verwaltungs</td>
<td>Germany</td>
<td>17,500</td>
<td>11,300</td>
<td>-35.4</td>
</tr>
<tr>
<td>Verwaltungs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zeitarbeit-Gesellschaft</td>
<td>Germany</td>
<td>10,000</td>
<td>8,950</td>
<td>-10.5</td>
</tr>
<tr>
<td>USG People</td>
<td>Netherlands</td>
<td>4,467</td>
<td>8,000</td>
<td>79.1</td>
</tr>
<tr>
<td>I.K Hoffman</td>
<td>Germany</td>
<td>8,000</td>
<td>7,333</td>
<td>-8.3</td>
</tr>
<tr>
<td>7(s) Personal</td>
<td>Germany</td>
<td>na</td>
<td>6,686</td>
<td>na</td>
</tr>
<tr>
<td>Autovision</td>
<td>Germany</td>
<td>4,750</td>
<td>6,505</td>
<td>36.9</td>
</tr>
<tr>
<td>Orizon</td>
<td>USA</td>
<td>5,700</td>
<td>6,450</td>
<td>13.2</td>
</tr>
<tr>
<td>Trenkwalder</td>
<td>Germany</td>
<td>5,253</td>
<td>5,500</td>
<td>4.7</td>
</tr>
<tr>
<td>Tempton Holding</td>
<td>Germany</td>
<td>na</td>
<td>5,100</td>
<td>na</td>
</tr>
<tr>
<td>TimePartner Holding</td>
<td>Germany</td>
<td>6,500</td>
<td>4,500</td>
<td>-30.8</td>
</tr>
<tr>
<td>Dekra Arbeit</td>
<td>Germany</td>
<td>4,000</td>
<td>3,451</td>
<td>-13.7</td>
</tr>
<tr>
<td>Piening Personal-Service</td>
<td>Germany</td>
<td>na</td>
<td>3,354</td>
<td>na</td>
</tr>
<tr>
<td>Job AG</td>
<td>Germany</td>
<td>2,250</td>
<td>3,290</td>
<td>46.2</td>
</tr>
<tr>
<td>Personaldiensleistungen</td>
<td>Germany</td>
<td>2,400</td>
<td>2,950</td>
<td>22.9</td>
</tr>
<tr>
<td>Runtime Deutschland</td>
<td>Germany</td>
<td>955</td>
<td>1,703</td>
<td>78.3</td>
</tr>
<tr>
<td>Amadeus FiRe AG</td>
<td>Germany</td>
<td>1,698</td>
<td>1,950</td>
<td>14.8</td>
</tr>
<tr>
<td>DB Zeitarbeit</td>
<td>Germany</td>
<td>2,250</td>
<td>1,800</td>
<td>-20.0</td>
</tr>
</tbody>
</table>


Table 6.2 displays substantial variation between the number of temporary agency workers in the top 20 agencies. In 2010 Randstad ranked first, with 43,500 workers while Start Zeitarbeit, ranked twentieth, only had 1,800; the remainder of the market therefore was made up of agencies with under 2,000 agency workers. Furthermore, while a very uneven pattern of change occurred for the agencies in the 2006-2010 time period, fluctuation in agency worker numbers did not correlate with the size of the agencies in terms of revenue or ranking position in the market. The greatest reductions were experienced by Personal Service Verwaltungs (-35.4%) and Time Partner Holdings (-30.8%), both agencies of German origin. More importantly these agencies experienced only minor changes in their overall revenue, so despite substantial losses in terms of numbers they were able to turn a profit. This could potentially be explained by a move towards higher margin work placements:
‘Definitely there has been a growth in the number of workers we deal with but also there have been shifts in the areas of market that we work with. There has been an increase in the number of professional placements which of course have a higher return per individual’ (Transnational Agency, Interview #42).

USG People, a Dutch agency, and Amadeus FiRe, a German agency, experienced the greatest gains, at 79.1% and 78.3% respectively. Both agencies also experienced strong growth in terms of revenue, the former 173% and the latter 72.9%. In a similar strategy to agencies present in the UK, many temporary staffing agencies in Germany have sought to consolidate their position in the market through a series of acquisitions. In 2007, for example, Tuja, Orizon, Timepartner or Tempton all undertook acquisitions in order to gain an increased presence, amidst the international temporary staffing agencies in the German market. Examples include Adecco which acquired DIS AG in 2006 (the largest professional staffing agency in Germany), Tuja in 2009, and Trainco (the staffing agency owned by Lufthansa) in 2011 (Adecco, 2011b), and Randstad which merged with Vedior in 2008 (Randstad, 2008). USG people provide a further example of acquisition, purchasing Allegier Holding at the beginning of 2008 - which helps explains the largest growth in numbers shown in Table 7.5.

Agencies have also sought to cement their position within the German market through branch expansion. However, these options were not available for all agencies, as the majority were relatively small local firms (working with 50-100 people), and as such their focus was to simply find placements for workers in order to make a profit (Ciett, 2011). The key message to draw from Tables 6.1 and 6.2 is that while a range of large transnationals with high revenues and high numbers of temporary agency workers exist in Germany, the difference between the top and bottom of this group is substantial; the remainder of the market made up of the quintessential German business, the SME (Block and Spiegel, 2011).

‘There are thousands of small agencies operating in Germany often with just one branch operating in one town, suiting the needs of other local businesses. The larger towns and cities will have the big global agencies there too’ (Government representative, Interview #37).

Unlike many other countries in Europe, Germany continued to experience growth in the TAW work sector in 2008 while others felt the impact of the financial crisis, a reflection of the relatively strong performance of the Germany economy as a whole. However, 2009 saw severe decreases whereby the market volume for temporary agency work declined 18.8 per cent to €12.1 billion from the peak at 2008. Larger agencies suffered most from the crisis, and this in part explains some of the substantial percentage changes in the number of agency workers and revenues shown in Tables 6.1 and 6.2. The turnover of the top 25 in 2009 decreased by 23.8 per cent on average, five per cent more than the TSI as
a whole (Lünendonk, 2010). A major factor behind these losses was the cancellation of framework contracts with large firms, which was more of an issue for the larger transnational agencies (Lunendonk, 2011). Nevertheless, an agency manager highlighted the role of agencies in recovering from the financial crisis:

‘There has been an increased demand for staff in industrial sectors, but mainly from the temporary work agencies. Germany is still recovering from the aftermath of the economic crisis, companies are very cautious about employing permanent staff, and therefore agencies provide the perfect solution, short-term access to workers which can be extended if necessary…This is an opportunity for companies to access the expertise of agencies as human resource managers. What the German market needs in this post-crisis stage is labour market flexibility, and this is what temporary agencies provide, in business terms it’s a perfect match’ (Transnational Agency A, Interview #39).

Here the agency refers to the role of the TSI as an instrument of flexibility to aid market recovery as and when workers are needed (Canoy et al., 2009). The Employment Minister, Ursula von der Leyen, echoed this view:

‘The economic crisis is over and Germany is going for it again, and the stability of the labour market has been largely attributed to its increased flexibility, and wider adoption of non-standard forms of work, agency temporary employment has become a load-bearing pillar of the upswing in the labour market’ (Spiegel, 2010b: 95).

Beyond the uses of TAW to cope with fluctuations in demand and as a screening function, some firms in Germany use agency workers as part of a workforce strategy (Beckmann and Kuhn, 2009). Some interviewees identified companies whose workforce was comprised of 30-60% agency workers (Transnational Agencies, Interviews #40 and 42), indicating a more strategic use of agency workers as suggested by Holst et al. (2010). The increase in the number of intensive users of TAW is striking. Intensive users of temporary agency workers are defined as those where client firms cover more than 20% of their personnel needs through temporary work arrangements (Holst et al., 2010). Bellman and Kuhl (2007) indicate that the proportion of intensive users rose rapidly between 1998 and 2006, from 4.8% to 10.4%. On 30 June 2008, this proportion was 10% across all branches, but in the area of business services the proportion of intensive users had already reached 33% (Crimmann et al., 2009). Figure 6.5 reveals that large and medium size firms were the more prevalent users of temporary agency workers, with some increases witnessed until 2008. A substantial proportion of temporary agency workers were involved in the manufacturing sector (particularly the motor industry) where historically firms had larger workforces. In contrast, the proportion of smaller firms who used temporary agency workers remained low. Although larger firms were consistently regular users of TAW, they only represented a small percentage of their overall workforce (around 5%) (BA, 2012).
Holst et al. (2009) identified a new trend in Germany: the strategic use of temporary agency work in Germany specifically. They use the term 'strategic use' to refer to the fact that TAW arrangements are being actively introduced as an instrument of strategic business management, and not just reactively (see Peck and Theodore, 2002 and Ward, 2003 for discussions of changing uses of TAW). One example is the BMW factory in Leipzig, which planned to include a temporary agency worker fraction of around 30% of the total workforce according to one transnational agency (Transnational Agency, Interview #43). Temporary agency work was becoming more widespread, and introduced into operational areas that were previously reserved for the permanent workforce, in this way, permanent and marginal employment were being deliberately interwoven.

Examining the use of temporary agency workers by different firms a little further, it is possible to see that since 2003 the majority have been placed in larger firms; most notably in 2008 (see Figure 6.6). One large company known for its widespread use of temporary agency workers, Volkswagen, announced in 2011 it intended to employ around another 6,000 workers in Germany as a response to increased demand, and continued to turn to temporary employment as a means of recruitment. The company took on 2,200 agency workers as permanent staff in 2011, after taking on 600 in 2010. Volkswagen commented:
Since 2005 we have taken on 1,000 temporary employees as permanent employees. They get equal pay for equal work. For us, temporary employment is not about wage dumping. Agency temporary employees are vital for our industry to cope with peaks and troughs. We will continue to need temporary employees but the unions should remember that the share of temporary employees of the total number of all employees in the metal industry is only 5% (Die Welt, 2011a).

Figure 6.6: Temporary agency worker use by firm size in Germany, 2003-2009

In order to explore the activities of these agencies in the German TSI an examination of the temporary agency workforce is now required, as explored in the next sub-section.

6.2.2 Temporary agency workers

The number of temporary agency workers in Germany has grown after the introduction of legislation which legalised TAW - the Temporary Employment Act (AUG), in 1972. Growth continued in the 1980s and after the re-unification of Germany in 1989. From the middle of the 1990s TAW became a rapidly growing form of employment - between 2000 and 2010 the number of temporary agency workers more than doubled to 824,000 (BA, 2011). The most rapid period of growth followed the Hartz reforms in 2003, where legislative changes were made to deregulate the industry, and by 2010 Germany had the second largest temporary agency workforce in the EU, after the UK (see Figure 6.7).
Examining rates of growth from 1990 to 2010 reveals a relatively constant level of overall annual growth. From 2001-2010 the average annual growth rate stood at 9.7%, slightly higher than the previous decade (1991-2000) at 8.5%. Traditionally the sector had been subject to strong seasonal fluctuations, with a peak in the summer and a low point in the winter (Jahn and Bentzen, 2010). Seasonal fluctuations decreased considerably: between 1991-2000 December reported 15.4% less temporary agency workers than in August, while in 2001-2010 the difference had reduced to 9.2% (BA, 2012). This is an indication that temporary agency workers were being used less as a strategy to adjust to seasonal fluctuations in demand - agricultural workers in the summer for example - and more as a sustained form of labour supply in a wider range of sectors (Holst et al., 2010).

Much like the UK, indications of changes in the economy were reflected in the use of TAW between June 2008 and 2009, in the form of a 22.2% reduction - around 300,000 less temporary agency workers. The reduced demand was attributed predominantly to client firms in the manufacturing sector protecting their 'core' workforce by reducing the number of temporary agency workers. The process of substantial expansion and ensuing contraction displayed the responsiveness of the German temporary staffing industry to the economic system. Expansion in TAW soon returned in the following months, reaching levels similar to 2008 in June 2010 (BA, 2011) with a 6% increase for the first half of 2010 (BZA, 2011). Similar patterns of contraction and subsequent expansion were experienced in the past: between 1994-1995 (27.3%) and between 2005-2006 (32%). In addition, since
the 1990s there were two other occasions when significant decline in TAW occurred: first in 1992-1993 (-13.6%), and second in 2001-2002 (-8.7%), associated with dips is economic growth (BZA, 2011). On all occasions the TSI returned to positive growth within a year. These patterns could be viewed as an indicator of the German labour market moving towards a more neoliberal form, where temporary staffing patterns display a close relationship with changes in GDP, as opposed to cyclical changes (Kalleberg, 2000; Theodore and Peck, 2002).

The growth of temporary agency workers also varied across the country with just under one fifth of the increase from 2000-2010 due to growth in North-Rhine Westphalia and Bavaria. Potential explanations can be made for the strength of these states. North-Rhine Westphalia is Germany's most populous state, therefore more likely to have a greater share of temporary agency workers, but it also has a strong industrial and technological focus (Danielzyk and Wood, 2004). In Bavaria, Southern Germany, the number of temporary agency workers trebled from 54,000 in 2000 to 163,000 in 2010 (BA, 2011). The situation in Bavaria is likely to relate to the presence of large industrial companies, including BMW, Audi, Siemens, MAN (a mechanical engineering company) and EADS (Airbus producer). The smallest increases (91.2%) were experienced in Saxony-Anhalt and Thuringia in Central Germany, and is likely to be a result of lower populations than elsewhere in the country (BA, 2011). Temporary agency workers were not evenly spread across all sectors of the economy; as seen in Figure 6.8, they were concentrated in particular areas of the labour market.

Figure 6.8: Number of temporary agency workers by occupational sector, 2000-2010

German TAW was traditionally concentrated in the industrial occupations, reflecting the dominance of this sector in the wider economy. The biggest uses of temporary agency workers were in production of consumer goods, construction, mining, energy and water supply (BA, 2012). This is reflected in Figure 6.8, showing that workers in metal, electronic and other manual occupations have continued to dominate the sector alongside those in services. The importance of the service sector for TAW, similar to the UK, has risen greatly, with increased use of agency workers in office and administration placements, more akin to traditional uses of agency workers (Houseman, 2001). All occupational sectors experienced an increase after the period of substantial deregulation in 2003 under the Hartz reforms (explained in Section 6.3). This included the removal of restrictions on temporary agency workers in construction, which is likely to explain the substantial growth in ‘other manual’ occupations. Not all occupational sectors for TAW experienced such positive rates of growth; since 2003, TAW in professional jobs increased by 2125 by 2010. In comparison to sectoral patterns of total employment in 2010 the most substantial differences were found in manufacturing which represented 30% of total employment but 64% of TAW. In comparison, technical occupations and service sector occupations were underrepresented, at 14% lower than the level of total employment (BA, 2012).

Historically in Germany, men have represented the majority of temporary agency workers. However, the male share of TAW fell between 2000-2010 (see Figure 6.9). In 2001, 78% of temporary agency workers were male, and by 2010 this had fallen to 73%.

**Figure 6.9: Temporary agency workers in Germany by gender, 1973-2010**

The growth in the proportion of women present in TAW can be attributed to the rise in the use of temporary agency workers in the service sector, as over 50% of female agency workers were placed in such occupations, compared to only 22% of men (see Figure 6.10). Male temporary agency workers were predominantly placed in the metal and electrical sectors or other manual occupations, 61% of all placements in 2010, compared to only 36% for women.

**Figure 6.10: Gender distribution of temporary agency work in Germany, 2010**

![Gender distribution of temporary agency work in Germany, 2010](image)


While some changes in sector and gender composition of the temporary agency workforce have taken place since 2003, the distribution of age groups involved in TAW has changed very little. Middle aged workers between 31-45, tended to be overrepresented compared to the wider labour market (see Figure 6.11).

**Figure 6.11: Age distribution of temporary agency workers in Germany, 2003-2010**

![Age distribution of temporary agency workers in Germany, 2003-2010](image)

By 2010 in terms of length of placements for temporary agency workers in Germany, the emphasis was weighted towards shorter placements (see Figure 6.12), a pattern which endured from when TAW placements were restricted to three months (BA, 2011).

**Figure 6.12: Length of temporary agency work placements, 2000-2010**

Source: Based on IW Consult (2011: 28)

The short-term nature of these TAW placements boosted the labour market turnover rate, and has thus had a much larger macroeconomic impact than what the small national penetration rate of 2% would suggest. Temporary workers have played a prominent role in the dynamism of the labour market, even though the penetration rate of the industry remains relatively low compared to other countries of Europe. In 2007 and 2008, workers entering and leaving the workforce were recorded to be around 8 million, compared to around 7 million before the Hartz reforms. The share of temporary workers is considerable; among individuals moving out of unemployment, this share increased from 8% (2003) to over 12% (2008), and for individuals moving into unemployment, the share of temporary workers increased from 8% (2003) to over 14% (2008).

The successful growth of the German labour market has been attributed to its increased flexibility through two forms of employment which constitute the central elements of dynamism and flexibility: short term contracts and temporary agency work (BA, 2011; BAP, 2011a). For German client firms there was still a significant cost advantage for using temporary agency workers, as wages were 20-40% less than the permanent workforce, and they did not have to compensate for holidays, illness and other employee related expenses. With this growth and progression in the use of agency workers in Germany it was argued that the TSI's role in the labour market has also developed, moving beyond a
mere tool to cope with fluctuations in the labour market to an employment option that is thought to contribute the growth of the wider labour market (Holst et al., 2010).

‘Temporary agency employment is an important instrument for the flexibility of the labour market, here in Germany, and across the world’ (Transnational Agency, Interview #41).

The composition of the labour market is an important factor in determining the activities of the TSI. However, while these basic figures indicate the growth and extent of TAW in Germany through a series of vignettes, greater exploration into the relationships between actors in the German TSI needs to be undertaken in order to understand how such figures have come to occur. Through exploring the market in more detail, drawing on secondary data and material gathered from interviews in Germany, the remainder of this chapter addresses the features of the German TSI, beginning with a discussion of the regulatory landscape.

6.3 Regulation and collective bargaining in the German temporary staffing industry

Since the 1970s the regulation of the temporary staffing industry (TSI) has changed considerably, with successive waves of deregulation (Ahlberg, 2008a). From initial efforts to expand the length of placements allowed for temporary agency workers, to removal of sectoral restrictions and implementation of a legally binding minimum wage for all temporary agency workers, this section charts the development of legislation relevant to the TSI and how various actors have shaped these developments.

6.3.1 A history of temporary staffing regulation in Germany

Until 1972 temporary agency work (TAW) had been banned on the basis that it would disrupt the actions of the labour exchange run by the Federal Employment Service. However, this was deemed by the Federal Constitutional court to violate free choice of occupation and therefore temporary staffing agencies were allowed to operate (Clauwert, 2000). The state provides the overall legal framework governing the operation of the TSI in Germany. Enacted in 1972, the Arbeitnehmerüberlassungsgesetz (AÜG) or 'Temporary Employment Act' introduced a comprehensive and stringent regulatory framework for temporary staffing in Germany at a time when the industry was still being established. In addition to defining the temporary employment relationship, the AUG specified the requirement for temporary staffing agencies to obtain a license from the Federal Employment Office, stipulated that TAW placements could be no longer than three months, and established a rehiring ban (Schüren, 2005).
Deteriorating labour market conditions and rising unemployment in the 1980s and 1990s (Lindlar and Scheremet, 1998) caused policy makers to reassess their restrictive stance towards TAW. A series of initially tentative deregulatory reforms followed. Starting in the mid-1980s, the reform process gained momentum in the second half of the 1990s, following the ending of the federal employment service’s monopoly on the placement of workers in 1994. This allowed temporary staffing agencies to operate more freely to place workers. These changes culminated in the Hartz reforms, named after the chair of the Commission responsible, Peter Hartz, at the time the Human Resources director of Volkswagen. The Hartz reforms which took place from 2003 went beyond previous policy initiatives, both in scope and depth by repealing a set of long-standing restrictive clauses of the AÜG. They also introduced equal treatment and equal pay clauses, and actively encouraged collective bargaining among the social partners to set the terms and conditions of employment in the TSI. The deregulation summarised in Table 6.3 was designed to make the labour market more flexible, and to make temporary agency work more feasible. Before the Hartz reforms, temporary agency workers in Germany were not covered by collective agreements, and there were significant restrictions on the length and use of temporary agency workers. After the Hartz reforms came into force, between 2003-2005, wage contracts began to be agreed between temporary staffing trade associations and certain trade unions – termed collective agreements.

Table 6.3: Changes to temporary agency employment legislation in Germany, 1972-2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Impact on Temporary Agency Work</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>Introduction of the Arbeitnehmerüberlassungsgesetz (AÜG) or 'Temporary Employment Act'.</td>
</tr>
<tr>
<td>1982</td>
<td>Prohibition of the use of temporary agency workers in the construction sector.</td>
</tr>
<tr>
<td>1985</td>
<td>Extension of the maximum length of temporary agency work assignments from 3 to 6 months.</td>
</tr>
<tr>
<td>1994</td>
<td>Further extension of the maximum length of temporary agency work assignments from 6 to 9 months.</td>
</tr>
<tr>
<td>1997</td>
<td>Further extension of the maximum length of temporary agency work assignments from 12-24 months.</td>
</tr>
<tr>
<td>2002</td>
<td>Further extension of the maximum length of temporary agency work assignments from 9 to 12 months.</td>
</tr>
<tr>
<td>2003-2005</td>
<td>Hartz Reforms:</td>
</tr>
<tr>
<td></td>
<td>• Elimination of the synchronisation ban and removal of restrictions on duration of contract.</td>
</tr>
<tr>
<td></td>
<td>• Principle of equal treatment unless any other collective agreements.</td>
</tr>
<tr>
<td></td>
<td>• Easing of the restrictions on the use of temporary agency workers in the construction sector.</td>
</tr>
<tr>
<td>2011</td>
<td>Posted Workers Act extended to include Temporary Agency Workers.</td>
</tr>
<tr>
<td>2011</td>
<td>Minimum wage established for Temporary Agency Workers.</td>
</tr>
<tr>
<td>2011</td>
<td>Restrictions on use of Agency Workers in ‘company-internal transportation of goods’ sector (Werkverkehr) were abolished.</td>
</tr>
</tbody>
</table>

Source: Author compilation from Bundesagentur fur Arbeit website (http://www.arbeitsagentur.de/) [Accessed: 20/12/2011].
These agreements were a common feature in Germany (Müller-Jentsch, 1995), and they ensured the involvement of both trade unions and trade associations in labour relations. Significant collective agreements for the TSI in Germany are outlined in Table 6.4.

### Table 6.4: Significant collective agreements for the temporary staffing industry in Germany

<table>
<thead>
<tr>
<th>Year</th>
<th>Parties Involved</th>
<th>Details of the Collective Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>Adecco, IG Metall (metalworkers), NGG (Food and Restaurants Workers Union), IG Bauen-Agrar-Umwelt (Building, Agricultural and Environmental Union), HBV (Trading, Banking and Insurance Union), ÖTV (Public Services, Transport and Traffic Union), DAG (German White-Collar Union)</td>
<td>Agreement to cover agency employees who were working at the EXPO 2000 in Germany. Covered around 7,000 employees of which Adecco was the sole provider. Agreement covered provisions regarding pay, working conditions as well as social security issues and stipulations that recruitment should favour the long–term unemployed.</td>
</tr>
<tr>
<td>2003</td>
<td>All unions affiliated to Confederation of German Trade Unions (DGB) Association of German Temporary Employment Agencies (iGZ)</td>
<td>Introduced different pay grades to account for differing qualifications demanded for the work to be done: basic scheme, main scheme (+3%), extra scheme (+3.5%).</td>
</tr>
<tr>
<td>2004</td>
<td>All unions affiliated to the DGB Association of Temporary Staffing Agencies (BZA)</td>
<td>Partial adjustment of eastern German pay rates to match the higher Western German pay levels was to be delayed by one year (to 2005).</td>
</tr>
<tr>
<td>2005</td>
<td>All unions affiliated to the DGB iGZ</td>
<td>2.2% increase for temporary agency workers in the basic pay scheme. Employees on higher wages schemes only received minor increases or no increase at all.</td>
</tr>
<tr>
<td>2010</td>
<td>DGB and BZA</td>
<td>Agreement to increase 2.5% wages from May 2010 for those under their current agreements.</td>
</tr>
<tr>
<td></td>
<td>iGZ and Unions</td>
<td>Minimum salary agreement: €7.56 in Western Germany and €6.62 in Eastern Germany to be increased by 2012.</td>
</tr>
<tr>
<td>2010</td>
<td>Association of Employers in the Steel Industry and IG Metall</td>
<td>As part of a wider collective agreement for steel workers agreed to pay 'equal pay for equal work' for steel workers from January 2011.</td>
</tr>
</tbody>
</table>

Source: Collated from Eurofound (2005; 2008) and Trade Associations websites.

Until 2010, the collective agreements between the DGB trade unions and both iGZ and BZA covered around 50% of temporary agency workers in Germany (Evans and Gibb, 2009). The collective agreements covered an estimated 95% of all temporary agency workers in Germany in 2009 (Industry Commentator, Interview #57), but even in the case of those who were not covered by collective agreements, agencies would often refer to one of these agreements to set wages for their work.

'If the agency isn’t a member of one of the employer organisations like BZA, which have their own collective agreements with the unions, they will often use these agreements as a basis for their own operations. They’ll use the wage levels stated in that agreement and that way they know they are operating on a level that’s accepted by the industry but they don’t actually have to deal with it themselves' (Government Representative, Interview #38).
Collective agreements represent a defining feature of the TSI in Germany, and indicate the wide range of trade unions and trade associations involvement in the industry. The main focus of most collective agreements was the level of pay for agency workers, negotiated between the trade union and trade association (see for example BAP, 2011a). It should be noted that pay levels in nearly all collective agreements before the late 2000s were poor by wider labour market standards, with many of the basic agency workers posts paying around €7 an hour (significantly below the average low wage permanent jobs of €9.13 an hour, or €18.04 as an average for all sectors) (Statistisches Bundesamt, 2009). It was estimated that around one eighth of all temporary agency workers in Germany did not earn enough to cover basic household needs (Trade Union, Interview #54). However, in some cases collective bargaining agreements in client companies (particularly in Eastern Germany) set permanent wages at a level below that provided for under the collective agreements of temporary staffing agencies, with the consequence that temporary workers could actually earn more than the permanent workforce (Domestic Agency, Interview #45).

In addition, many large enterprises already paid their temporary workers the same wage as their permanent workforce. The 2010 agreements were in preparation for the legislation scheduled for May 2011 that allowed Eastern European agencies and workers to access the German labour market. There was a general concern from agencies based in Germany that temporary staffing agencies based in the Eastern European countries (with generally lower wages) would be able to undercut German pay.

‘Of course there is the concern that Eastern European agencies will come into Germany, and flood the labour market with much cheaper labour than we can compete with….they could pay €4-5 an hour so companies are more likely to use them than pay for a higher wage through the agencies we already have here' (Domestic Agency, Interview #44).

It was this concern, along with the evidence of malpractices by some temporary staffing agencies – including issues of poor pay and working conditions - which led to a debate in the German government over the decision to implement a minimum wage for all temporary agency workers as of January 2011. The events which led up to the creation of this minimum wage are discussed in more detail in section 6.4.2. At this point, this thesis turns to explain the importance of trade unions, trade associations and collective bargaining in the German TSI.

6.3.2 Exploring trade unionism, collective bargaining and changes to trade associations

Collective bargaining, the process of arranging collective agreements usually between trade associations and trade unions, is one of the most important institutional relationships for the TSI in Germany. These institutions hold a much more formalised and active role in
the German labour market than is witnessed elsewhere, as part of the German dual system of industrial relations (see Müller-Jentsch and Weitbrecht, 2003). Two forms of collective agreements existed – between trade unions and trade associations (Tarifverträge) and agreements between employers and works councils (Bertriebsvereinbarungen). The system developed in the 1950s, based on strong collective bargaining autonomy for employers and trade unions without interference from the state (Bispink and Schilten (2011). The trade unions and trade associations – the social partners - established collective agreements on wages for different sectors, and Works Councils ensured their implementation (alongside other issues relevant to workers' interest in the workplace). Throughout their involvement with these collective agreements trade unions and trade associations had a direct role in influencing the TSI and the way in which it operated in Germany.

Much like other Western European countries, Germany experienced a decline in trade union membership since the 1980s (Adison et al., 2006). Trade union membership fell from around 35% in 1980 to 18.6% by 2010 (OECD, 2011). This decline in membership was attributed to both globalisation and changes in the economic and workforce composition (Behrens et al., 2003; Pernicka, 2005). While there has been a decline in union membership and the share of workers covered by collective agreements, the TSI remains one area of the labour market which retains a high coverage of workers through collective agreements. This in part was due to terms of the Hartz reforms which stated that equal pay for agency workers was required unless there was an established collective agreement. As such, nearly 97% of temporary agency workers were covered by these collective agreements.

Despite such a high level of collective agreement coverage, temporary agency workers represented a small proportion of trade union membership (Dörre et al., 2006), estimated in 2003 by Vitols (2004) to be fewer than 5%. Despite temporary agency workers often receiving worse conditions and lower pay than their permanent counterparts, low levels of union membership among temporary agency workers can be explained by several factors. First, trade union culture had difficulty engaging temporary agency workers on the basis that work placements were often short term (less than 3 months) so workers may have felt they did not have the same attachment to an industry as permanent workers. Second, the traditional methods of attracting trade union members such as strikes, would be unlikely to attract agency workers as they would simply be sent back to the agency and likely be made redundant. Third, until the late 2000s trade unions had made little attempt to engage temporary agency workers as members. In 2007 unions began to change their strategies regarding temporary agency workers. Many unions turned their attention to cohorts of workers they had previously ignored, as had occurred in the UK. In addition,
unions realised that the temporary agency work sector was being supported by labour regulation; therefore if they were to exert any influence over the way this form of employment was used, they would have to engage with issues related to temporary agency work. As such many unions (or union confederations) began to undertake a variety of activities related to TAW, the most significant of which are displayed in Table 6.5.

The traditional view of trade unions towards temporary agency work was that of rejection of the form of employment on the grounds that it was modern slavery, arguing that TAW should be banned, or at least limited (IG Metall, 2007a). While the undertones of trade union strategies remained critical of TAW, their activities related to the sector took three main forms: establishing suitable collective agreements; providing guidance and practical assistance; and campaigning for change. In addition, in a collective wage agreement with Siemens, IG Metall accepted the automatic permanent hiring of temporary workers after only one month (Schild and Petzold, 2009). Trade unions were positive about the opportunities TAW provided for those who found entry to employment difficult - the low skilled.

'A large percentage of the low and unqualified workers have been given an opportunity to enter the labour market as temporary workers. In no other way would they have had this opportunity. If the government changed the legislation regarding widespread use of agency work it is just going to harm those with fewer qualifications. Put quite simply: if there are restrictions on temporary work, the solutions to a well functioning labour market will be abolished, it would not abolish the problem itself' (Trade Union, Interview #52).

It was argued that if skilled workers were to be used, it should only be to cover peaks in demand, not as a long-term personnel management strategy. There were three main strands of trade union campaigns: the realisation of the principle of equal treatment and equal pay, the reduction of the use of temporary agency work, and the recruitment of temporary agency workers in an attempt to organise the sector. It was hoped by many unions that by ensuring equal pay and therefore raising the costs of agency workers, that firms would reduce their use and opt for permanent workers. Lobbying activities and campaigns, not only for the equal treatment of agency workers but also on the exploitation of agency workers and the preference for permanent work, became central to some union's activities. The DGB described the increasing numbers of agency workers as a 'ticking time bomb' for the economic and social order of Germany (DGB, 2007).
Table 6.5: Trade Unions with activities related to the temporary staffing industry in Germany

<table>
<thead>
<tr>
<th>Established</th>
<th>Sector Coverage</th>
<th>Membership (2010)</th>
<th>Summary of Activities related to Temporary Agency Work</th>
</tr>
</thead>
<tbody>
<tr>
<td>Union Federations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Confederation of German Trade Unions - Deutscher Gewerkschaftsbund (DGB)</td>
<td>1949</td>
<td>All sectors. Made up of 8 unions: IG Bau-Agrar-Umwelt (IGBAU); IG Bergbau, Chemie, Energie (IG BCE); Gewerkschaft Erziehung und Wissenschaft (GEW); IG Metall; Gewerkschaft Nahrung-Genuss-Gaststätten (NGG); Gewerkschaft der Polizei (GfP); Eisenbahn- und Verkehrsgewerkschaft (EVG); Ver.di.</td>
<td>6 million</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Joint partner which formed the collective agreements for temporary agency workers with the employer associations - BAP and IGZ - the two major employer associations for the temporary staffing industry.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Provided an information portal for temporary agency workers entitled to claim retrospective fees after court ruling in 2011.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Centrally involved with the Hartz reforms.</td>
</tr>
<tr>
<td>Christian Trade Union Federation - Christlicher Gewerkschaftsbund Deutschlands, Federation (CGB)</td>
<td>1959</td>
<td>Sectors which require manual and white-collar workers. Made up of 13 unions: Christian Metal Union (CGM); Workers Organisation of Milk Control and Animal Breeding (ADM); National Association of Commercial Employees (DHV); Association of Industry, trade and services (BIGD); Federation of Hotel Restaurant and Cafe Staff (Union Ganymed); Christian Union of Germany Railway workers (CGDE); Medonset; Drivers Union (KFG); Public Services Union (GÖD); Christian Union of Postal Services and Telecommunications (CGPT); Agricultural Workers Union (ALEB); Christian Union of Mining, Chemical and Energy (CGBCE); Association of German Technicians (VDT).</td>
<td>280,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Lobbied national government and European Commission regarding legislation.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• In 2007 established a collective bargaining unit, Christian Unions for Temporary Workers (GGZP) made up of: Christian Union of Metal (CGM); Public Services Union (GÖD); Christian Union postal services and telecommunications (CGPT) and Professional Unions (DHV).</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• The CGZP became the established collective bargaining partners with Association of Medium-Sized Employers Personnel Services (AMP). A decision in the Federal Labour court in 2010 to void their collective agreements as the union was not sufficiently representative of temporary workers. The CGZP collective agreements had always been set lower than others for the sector.</td>
</tr>
<tr>
<td>Unions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial Union of Metalworkers’ IG Metall</td>
<td>1949</td>
<td>Predominantly metal but also some textile wood and plastics, information and communications,</td>
<td>2,239,600</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Petition to German Parliament for a restriction of 1 year limitation on placement length for agency workers (IG Metall, 2007a).</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Campaign ‘Same work – same pay’ - dedicated website. Campaign tour around the country to promote issues of agency work exploitation - campaigning for equal pay and a minimum wage.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Produced publications to raise awareness of agency worker abuse - including a ‘Black Book of Agency Work’ (2012) as well as other surveys and reports on agency work IG Metall (2007b; 2010; 2012).</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Involved in negotiating collective agreement terms for the metal working sector.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Successfully negotiated for a surcharge on top of base rate for agency workers (ranging between 15-50%) depending on the length of work in one firm.</td>
</tr>
<tr>
<td>Union/Industry</td>
<td>Year</td>
<td>Sector/Industry</td>
<td>Members</td>
</tr>
<tr>
<td>---------------</td>
<td>------</td>
<td>-----------------</td>
<td>---------</td>
</tr>
<tr>
<td>United Services Union - Vereinte Dienstleistungsgewerkschaft (Verdi)</td>
<td>2001</td>
<td>Transport, public services, retail and finance, utilities, postal and telecommunications, medical, health, information technology</td>
<td>2,094,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial Union of Mining, Chemical and Energy Workers (IGBCE)</td>
<td>1997</td>
<td>Chemical and energy workers, leather working</td>
<td>675,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial Union of Construction, Agriculture and the Environmental Workers (IG BAU)</td>
<td>1909</td>
<td>Construction, Agriculture</td>
<td>351,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(NGG) Gewerkschaft Nahrung-Genuss-Gaststätten</td>
<td>1949</td>
<td>Food and Catering</td>
<td>208,000</td>
</tr>
<tr>
<td>Trade Union of Food, Beverages, Tobacco, Hotel and Catering and Allied Workers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Union for Education and Science (GEW)</td>
<td>1949</td>
<td>Education</td>
<td>260,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Railway and Transport Eisenbahn- und Verkehrsgewerkschaft (EVG)</td>
<td>2010</td>
<td>Transport</td>
<td>240,000</td>
</tr>
</tbody>
</table>

Source: Interviews and Trade Union Websites.
One of the most active unions on issues of TAW was IG Metall. In 2008 it launched campaigns on the negative impact of TAW and started the initiative Leiharbeit fair gestalten: Gleiche Arbeit – Gleiches Geld – equal work for equal pay (IG Metall, 2008). The union carried out research on the extent and activities of the TSI, providing information for temporary agency workers regarding equal pay, ensuring existing agreements on pay were implemented in the workplace and pushing for the use of agency work to be high on the discussion agenda, not only for unions but for other employment institutions.

While trade unions were keen to promote the fair treatment of temporary agency workers, they also stressed that TAW should not be used as a substantial part of the workforce. This became evident in 2011, when Lufthansa announced it was to hire a further 200 temporary agency workers to work as flight attendants it was met by calls from the union Ver.di and by flight attendants union UFO to change their plans. In addition, some collective agreements included the restrictions on the level of TAW use, withholding government subsidies from client firms which went beyond agreed limits. While there were few incidences of this (Trade Union, Interview #53), the existence of such an arrangement makes the underlying negative view of TAW from trade unions clear. More explicit statements were made by the DGB, which argued that TAW failed as an employment mechanism and was disintegrating the working world (DGB, 2008), and by IG Metall (2011) which continued to use a slogan that implied TAW was modern slavery.

Despite this opposition, some unions actively sought to increase their agency worker members. IG Metall made efforts through campaigns to recruit agency work members, on the premise that they were usually difficult to reorganise at the level of the agency, and also set up networks for communication for agency workers at the local level. In 2007 it established a nationwide recruitment drive for temporary agency workers (Meyer and Fuchs, 2008). Efforts at recruiting temporary agency workers were variable (Wolfe, 2008), although as Meyer and Fuchs (2008) have shown in the case of IG Metall membership, this was in part a reflection of the spatial distribution of TAW in Germany. Therefore, there appear to be two strategies from trade unions: on the one hand, oppose TAW, and on the other recruit their members. One union took their role in the TSI further. The DGB (the union federation which negotiated the two major collective agreements), also established part ownership of the temporary staffing agency Start Zeitarbeit. Therefore, it not only contributed to the legal basis by which temporary staffing could be deployed across the country, but also would benefit to some extent from the profits of it. A local branch of DGB in Front and South Palatine found a non-profit temporary staffing agency dedicated to finding work for the long term unemployed, therefore becoming actively involved in the
temporary staffing industry. All the activities had the primary aim of politicising the subject of TAW through publicity.

While trade unions represented workers interests at the national, regional and even local level, it was the Works Councils which represented worker interests within organisations. The existence of works councils dates back to the 1920s (Muller-Jentsch, 1995). Established under the Works Councils Act, these institutions can be found in establishments with more than five permanent employees. They were designed to represent the interest of workers at the establishment level, often dealing with implementation of collective agreements and issues regarding overtime and working hours (see Addison et al., 2002 for a full discussion of the Works Council role). Whilst independent from trade unions, their objectives often overlapped and therefore were termed the ‘pillars of union security’ (Müller-Jentsch, 1995: 610).

Works Councils where temporary agency workers were placed traditionally played little attention to issues surrounding TAW, as they were there to represent the interests of those employed by their firm. As agency workers were technically on loan from the temporary staffing agency, they did not fall under this category. The trade unions made efforts to try and change this in two ways: by encouraging Works Councils within temporary staffing agencies to act as instruments to generate more temporary agency worker members for the unions; and by fostering greater cooperation of agencies with the Works Councils where their workers are placed. In contrast to their activities to recruit members Works Councils and unions have also developed strategies to counter the increasingly intensive use of temporary work. For example, in some cases works councils were negotiating with temporary staffing agencies about upper limits for the use of temporary workers in client firms (Schulz, 2009). At the same time, it is known from the empirical analyses of Thommese and Weiland (2010) and Promberger (2009) that the likelihood of using TAW in Germany was higher in firms with Works Councils; however, these studies had nothing to say about the level of use in these firms.

The other part of the collective bargaining relationship is the trade associations; and as of 2011 there were two remaining trade associations for the TSI, outlined in Table 6.6. The associations themselves underwent change, in response to legal developments following evidence of malpractice. In December 2010 the Berlin Labour Court (BAG) made a ruling which disqualified Christian Trade Unions for Temporary Employment (CGZP) from having the right to negotiate minimum salaries as the unions were not representative of their members. This affected mainly small and medium sized agencies as the agreement was with the AMP. CGZP was accused of lobbying for the employer while disguising itself as a trade union, consistently negotiating for collective agreements with significantly lower wages than other unions (SIA, 2011b). Further to this, the court ruled that because the
CGZP/AMP agreements were not deemed valid, the workers could claim compensation for unpaid wages (and government departments could claim for unpaid social contributions). The court then clarified that payments could be sought retrospectively back to 2005, when the collective agreement was established (SIA, 2011b). The implication of this was that the small and medium sized agencies which had been members of Association of Medium sized Temporary Employment Agencies (AMP) were now liable for retrospective wages and social contributions thought to amount to around €3 billion. The decision meant that agencies had to pay the difference between minimum wages and equal pay for equal work going back to 2005, which were negotiated by the CGZP union and the Association of Medium-sized Temporary Employment Agencies (AMP).

Table 6.6: Trade associations for the temporary staffing industry in Germany, 2011

<table>
<thead>
<tr>
<th>Trade Association</th>
<th>BAP</th>
<th>iGZ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date Established</td>
<td>2011 formed through a merger of BZA (Association of Temporary Employment Agencies) and AMP (Association of Medium size Temporary Employment Agencies).</td>
<td>2001</td>
</tr>
</tbody>
</table>
| Members | 1,852.  
95% of members are small and medium sized agencies but also has large transnational members including.  
Represents 80% of temporary staffing agencies in Germany and over 50% of all temporary agency workers. | 2,300  
Most members are small and medium sized agencies. |
| Formal Relationships with other actors | Collective bargaining partner with DGB union federation.  
Member of the German Confederation of Employer Associations (BDA).  
Member of Ciett and Eurociett.  
Partner of the Institute of the German Economy in Cologne (IW) | Collective bargaining partner with DGB union federation. |
| Forms of self-regulation | Members required to adhere to the rights and responsibilities of the BAP Constitution. Although these were not monitored. | Code of Ethics established in 2012 (iGZ, 2012). Although this was not monitored. |
| Key Activities | Promotion of the TSI.  
Negotiating collective bargaining agreements with DGB.  
Represents the TSI at the national and international level. For example: proposed the extension to the Posted Workers Act.  
Makes information regarding the TSI, plus discussions with legislators, ministries, political parties, associations, public institutions, the media and available.  
Promotes education and research in the field of the TSI. Publishes research on the TSI (e.g. BAP, 2012b) and produces in cooperation with the IW a quarterly temporary agency work index research document (e.g. BAP, 2011).  
Organising a dialogue at the regional level to promote information exchange. For example a conference on 'The Future of Temporary Agency Work' in June 2012. | Promotion of the TSI and lobbying prevent abuse of temporary agency workers.  
Negotiating collective bargaining agreements with DGB.  
Represents the TSI at the national and international level.  
Runs seminar programs and national conferences on issues related to temporary agency work for its members.  
Promote the education and training opportunities for temporary agency workers.  
Provides an online hub for research produced on the TSI. |

Source: Interviews and Trade Association websites.
In response to the court decision, BZA and DGB agreed to raise wages for those being placed through a temporary staffing agency by 5%. On 1st May 2010 wages rose 2.5%, and a further 2.5% in May 2011, in addition to a one off payment of €80 per temporary worker (Zeit, 2010). This agreement was instigated to demonstrate that their agreement was legally sound and provided fairer conditions for temporary agency workers. The iGZ agreement in 2010 also included a clause against the use of in-house temporary agencies due to the ‘Schlecker scandal’ discussed in Section 6.4.1.

Although this issue affected the smaller staffing agencies the most (AMP membership consisted of 1,400 predominantly small and medium sized agencies), some subsidiaries of larger agencies were also affected. These included: Manpower's subsidiary Manpower Manager Services, which is thought to have had 400 temporary employees under the CGZP agreement; USG People, which took over German domestic staffing agency Allgeier in 2008; and some of Trenkwalder's German subsidiaries, which also paid agency temporary agency workers according to CGZP agreements up until 2009 (WirtschaftsWoche, 2011). Because this ruling affected many of the smaller domestic agencies, there was concern among such agencies that many would not be able to withstand these retrospective payments. It was decided that payments would be able to be made in instalments, as many agencies were already struggling due to the financial crisis and the related decline in business. The main concern was that if many of the smaller agencies became bankrupt the larger transnationals would become dominant in the market.

This court decision had the potential to significantly alter the temporary staffing landscape in Germany. With the estimated retrospective payments currently at €3 billion, it was thought that many temporary staffing agencies would not be able to pay, and therefore many would go bankrupt. As the Frankfurter Allgemeine (2011) commented:

‘The social security and pension offices must collect the missing contributions from temporary employment agencies but they must also behave reasonably and spread the retroactive contribution payments over time.’

An industry commentator confirmed this:

‘The large unions would love to see the temporary employment agencies they hate so much go under in their droves but the temporary employees and the German economy as a whole would suffer from every since bankruptcy’ (Industry commentator, Interview #58).

The Employment Minister stated that where payments would threaten the survival of agencies, payment plans would be made, but insisted that back payments would eventually have to be paid by all agencies (Die Zeit, 2011). For example, in 2011, a local labour court in the town of Krefeld awarded €13,200 as a retroactive payment going back to 2007 to one temporary employee who worked for the same firm under the collective
agreement that was later rendered void (SIA, 2011b). As a further example, in 2012, a domestic agency based in Worms was fined €1.4 million for its involvement with CGZP collective agreements, payments were to be paid to both temporary agency workers for under paid wages, and to the social security and pensions office for missed contributions (SIA, 2012d). Potentially the percentage of the market attributed to these small and medium sized agencies could be reduced by the court decision, leaving more of the market to be absorbed into the transnational’s domain. The court ruling did not apply to large temporary staffing agencies such Adecco, Manpower and Randstad, as they were members of BZA, which had signed different collective bargaining agreements with the DGB, considered legal by the Labour Court (BAG).

In April 2011, BZA announced a merger with AMP in order to form one larger organisation, representing approximately 70% of Germany’s temporary agency workers, changing the overall trade union components of the TSI (Stettes, 2012) (see Figure 6.13).

Figure 6.13: Changes in trade associations in Germany, 2010-2011

Source: Data on membership numbers from Employer Association websites.

The Association of German Temporary work Agencies (iGZ) remained largely unaffected by the court decision. The merger of the associations meant that only two trade
associations were from then on involved in collective agreements for TAW. The rationale for this was highlighted by one transnational agency:

'It's time that staffing agencies join forces… we have identical interests and goals' (Transnational Agency, Interview #42).

While the TSI remained fragmented, some of the organisations involved in the operation of agencies began to consolidate. One trade association outlined the benefits of the combination:

'We hope this merger will reinforce the lobbying activities of the temporary employment industry, which is increasingly under attack from a lot of the unions as well as the government in some cases. These days we have quite an unpredictable political environment here. BAP is essentially a mirror image of the German temporary employment industry …95% of our members are small and medium-sized staffing agencies, a bit like the market here really, but we do also have a lot of the major international staffing agencies as members. By having a wide membership base we should be able to deal with issues to for all aspects of the industry' (Trade Association, Interview #50).

Considering the terms of TAW pay and treatment was largely decided through collective agreements between trade unions and trade associations, changes to the number, and characteristics of, such associations was key in the development of the German TSI. Trade union culture had been altered, while actors within the German TSI were changing, the labour market landscape was also changing, presenting new challenges for the industry; the most significant of these, the shortage of skilled workers, is explored in more detail in the next section, alongside the activities of public employment services and developing links with the TSI.

6.3.3 Links between the temporary staffing industry and public employment services

The public employment service in Germany was criticised for its inefficiency and failure to reduce unemployment, acting as a primary driver for the Hartz reforms (Kemmerling and Bruttel, 2005). Through these reforms alternative forms of employment emerged through placement voucher schemes, personal service agencies and the rise of mini-jobs. Earlier in this chapter the Hartz reforms were introduced in relation to regulation of TAW. The reforms also altered the public sector labour market intermediary landscape. This section explores the result of these reforms on labour market institutions relevant to the TSI: new forms of labour market intermediaries created alongside new forms of non-standard work. This is followed by a discussion of how public employment services began to develop links with the private sector, through sharing of tasks to place the unemployed into work. Against a backdrop of increasing skills shortages in the labour market, temporary staffing agencies sought to address this gap by providing opportunities for training. In doing so, they sought to present themselves as a legitimate labour market institution not only providing means to employment but aiding the 'mismatch' of labour market demand and
The Hartz reforms, summarised in Table 6.7 were designed to reform the inefficient public employment services and labour market policies more generally (Kemmerling and Bruttel, 2005).

The system of Federal Employment Offices and local employment offices was established in 1952, tasked with providing job search facilities and unemployment insurance services to those who required it, and in 1969 their services were extended to include training opportunities. German unemployment insurance provisions were extended several times during the 1980s and were later blamed for creating prolonged unemployment (Hunt 1995) as the unemployed lacked the incentive to find a job (see Pissarides, 2000). Towards the end of the 1990s the German labour market was also criticised for being inflexible, which provided the basic impetus for the establishment of the Hartz Commission in 2002 which developed broad labour market reforms known as the Hartz reforms.

Table 6.7: The Hartz reforms

<table>
<thead>
<tr>
<th>Law</th>
<th>Effective From</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hartz I: First Law for modern services on the labour market</td>
<td>January 2003</td>
<td>Established Personnel Service Agencies.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Training vouchers.</td>
</tr>
<tr>
<td>Hartz II: Second Law for modern services on the labour market</td>
<td>January 2003</td>
<td>Reform of low paid jobs known as mini and midi jobs.</td>
</tr>
<tr>
<td>Hartz IV: Fourth law for modern services on the labour market</td>
<td>January 2005</td>
<td>Reform of unemployment benefit.</td>
</tr>
<tr>
<td>Law to reform the labour market</td>
<td>February 2006</td>
<td>Duration of unemployment benefit shortened.</td>
</tr>
</tbody>
</table>


While the alterations to unemployment benefit were important for the operation of the labour market, it was the first two Hartz reforms which were of most significance, creating both alternative forms of labour market intermediaries and non-standard forms of employment. Under the Hartz I reforms two alternative employment paths were created in the German labour market: a job placement voucher scheme and the Personal Service Agency (PSA). The placement voucher scheme (Vermitlungsgutschein) allowed those who had been unemployed for more than six weeks to be given a voucher worth €2,000 which could be used to mandate a temporary staffing agency to find them a job. The PSA was a publicly funded temporary staffing agency to which the local public employment service would direct the unemployed, designed to act as a stepping-stone back into employment. The PSA would receive payments for the public employment service in exchange for finding work placements for the unemployed. PSAs were supposed to provide its staff with further training and qualifications. With about 800 PSAs and an employment stock of less than 25,000 workers in June 2004, the PSAs fell significantly
short of the initial target (50,000 PSA workers) that was to be realised by the end of 2003 (Jahn and Ochel, 2007).

The economy-wide introduction of a network of PSAs created the risk of creating competition for the private sector temporary staffing agencies, because of the local monopoly granted to PSA (PSA licenses), and the associated flow of public subsidies received from the Federal Employment Agency. The general characteristics of PSA workers were similar to those sought by private sector temporary staffing agencies (Jahn and Windsheimer, 2004), but were often more successfully placed by the latter. While both schemes were thought to be positive instruments for reducing unemployment, they were in fact of little significance:

‘In reality people just see the PSAs as the local employment offices, and therefore incapable of actually finding them a suitable job. They see agencies like ours as a business, and therefore more likely to be able to get them a job, they know we have an incentive to find them a job. Really it’s a case that people don’t really understand the arrangement between the BA [Federal Employment Agency] and the PSAs’ (Domestic Agency, Interview #47).

Unlike the private sector transnational agencies with their dense branch network, PSAs were not able to function effectively, and as such failed to succeed in the labour market. The Hartz II reforms which created an alternative form of work termed 'Mini jobs/Midi jobs', had a much greater and sustained impact on the labour market. The introduction of 'mini jobs' was designed to facilitate employment for low wage earners, more take home money than under previous employment. These jobs would earn up to €400 a month but would require no tax or social contributions from employees.

In a similar format 'midi' jobs would run under the same principle but would range between €400-800. Both of these schemes were used intensively, with more than 900,000 mini jobs created within three months of the scheme's establishment (Kemmerling and Bruttel, 2005), and experienced a sustained presence in the labour market. In 2003 around 17% of employment was classed as 'mini jobs', growing by 2009 to 19% - in comparison to TAW which represented 1.0% and 2.5% respectively (Seifert, 2011). A debate developed about the ineffectiveness and counter-productivity of unpaid work for the long-term labour market. A union remarked:

‘Subsidised work competes directly with the real economy and creates higher unemployment' (Trade Union, Interview #54).

The Federal Employment Agency (BA) announced it would reduce these kind of jobs in future years (BA, 2010).
The German economy is making big progress at coming out of recession. Reduced working hours schemes are being turned into larger companies are turning away from the reduced working hour schemes in favour of some permanent, and some temporary employment positions. Siemens, in 2009 had 19,000 employees on such schemes but reduced this to 600 in 2010 and has ceased using the scheme now. Siemens like many other companies are experiencing significant difficulties in filling skilled positions, with 2,300 vacancies in desperate need of mechanical engineers and electrical technicians. Similarly, BMW and BASF have converted their reduced working time positions to full time jobs and hired an extra 5,000 temporary agency workers and Mercedes has hired an extra 1,800’ (Industry Commentator Interview #56).

In addition, the German government proposed that it would provide subsidised training centres, where long-term unemployed can access training and help in finding a job. Research by the German chambers of commerce (DIHK) indicated that around three quarters of managers were concerned about the changing demographics of the country and the skill shortage it could lead to (DIHK, 2011). The demographic changes presented an ever increasing challenge for companies in Germany with more than 25% of businesses in 2010 affected the lack of sufficient qualified workers.

The staffing industry is still relatively small compared to other countries we operate in....We observe a clear mismatch in the labour market as there are literally thousands of vacancies for agency workers but also a lack of qualified agency workers in Germany. It takes us much longer to find suitable candidates for our clients. We need more agency workers with the right skills for highly qualified jobs as well as the lower qualified ones’ (Transnational Agency, Interview #40).

The German labour market, much like many other countries in Europe experienced a shortage in many skilled and semi-skilled occupations (Constant and Tien, 2011). While the German government made pleas for skilled migrants, temporary staffing agencies were quick to respond to this shortage. They saw it as an opportunity: although Germany represented one of the largest temporary staffing industries in Europe by 2010, growth in the number of temporary agency workers in the country was constrained by rising skills shortages, providing a substantial limit to future growth for the agencies operating in Germany. Skills shortages in the German labour market placed temporary staffing agencies under particular pressure to cater for the rising demands for skilled and semi-skilled workers from employers, particularly in engineering and science based professions (Domestic Agency, Interview #44). A government representative commented how around one in three companies had experienced problems in recruiting skilled workers, particularly for engineering and technological positions:

‘As a leading provider of recruitment and temporary work confirm there is a lack of skilled workers in Germany. At present there are around 5,000 vacancies that we are not able to fill due to skill gaps of the people we have access to. The training initiatives of the government need to be long term or they will not fully address the gaps we have’ (Government Representative, Interview #38).
The Federal Statistics Office estimated this would be exacerbated in future years by demographic ageing, that would lead the German workforce to shrink from 41 million to 26 million by 2050 (Destatis, 2011). The wider labour market environment and the demands it created placed temporary staffing agencies in the German market in a peculiar position whereby there were growing pressures from the demand side (employers) while having to cope with skilled shortages from the supply side (workers). Agencies in Germany reacted to the wider labour market conditions and developed a series of personnel development projects as part of their ‘market making’ strategies (Peck and Theodore, 2002). The German TSI therefore provided an example of how agencies engaged in activities to ensure they remained a key component of the labour market and created an image of themselves as legitimate employers. The Director of Manpower Group Germany, Vera Caslan, indicated that the shortages increased dependency on temporary staffing agencies:

‘A further consequence of the skills shortage affects the hiring of staff which is becoming more and more time intensive and many companies cannot handle this without the support of recruitment firms’ (SIA, 2012e).

Considering the changes to the market, one industry commentator highlighted that:

‘All agencies are going to be aware of the difficulties of finding the right workers in Germany at present, the current labour market situation means they need to change their tactics and focus on specific recruiting strategies for the areas of the market that are in the greatest need’ (Industry Commentator, Interview #55).

The Federal government approved their own comprehensive training initiative entitled 'advancement through education' to try and counteract the growing shortage of skilled workers in Germany, but as one government representative explains, the Federal Employment Office was open to ideas of developing use of the private sector to produce more skilled workers:

‘We know that in other countries like the UK, there are much stronger links between the public employment services and the private sector. The PSAs go some way to build those links, and we do advertise vacancies from them in many labour offices but this will vary by state and tends only to happen in the larger towns in this state [Bavaria]. I expect in the future we will try to co-operate more if the labour market requires it. At the minute we have much lower levels of unemployment so the need is not immediate. What we need at the minute is to find people to fill the skilled positions, particularly in scientific professions. It may be that the private sector will do that’ (Government representative, Interview #37).

The position regarding the co-operation of public and private sector staffing agencies is reflected in the statement from a Manpower manager:
'It is important in my view that politics, economy, Federal Employment Agency and the various educational institutions work closely together. Our expertise lies in the knowledge of the labour market. This expertise has been in the past, unfortunately, often left out and qualified on the market over. Manpower accepts the offer and the government will seek the cooperation to tackle the necessary reforms’ (Thomas Reitzer, Manpower manager, Crosswater systems, 2008).

Despite these labour supply problems, 89% of all temporary staffing agencies in 2010 expected to increase their temporary employment levels in 2011 as a whole, and only 0.3% believe that their employment levels will fall (BAP, 2011b). This is despite evidence from some agencies that there were occasions where temporary staffing agencies had to turn down requests for temporary agency workers due to the acute shortage of sufficiently qualified workers in Germany (Transnational Agencies, Interview #40, 41 and 43). Agencies expressed concern over the recovery of the TSI in Germany after the financial crisis, but were aware of the shortages in the labour market they needed to address:

'We don't expect to see a full recovery to pre-crisis levels before the end of 2010 or possibly even 2011, however, we are ramping up our capability across the company [in Germany] to ensure we have a strong supply of skilled workers to support our clients business objectives as the market begins to accelerate and evolve' (Transnational Agency, Interview #39).

Temporary staffing agencies in Germany displayed evidence of moving away from the classical notion of a labour market intermediary optimising allocation between supply and demand to being engaged in market making activities (Mitlacher, 2006:74). Many temporary staffing agencies acted by improving their supply by processing workers through various forms of training in an effort to ensure more workers fit the demands of client firms.

In 2008 the majority of temporary agency workers in Germany had low qualifications: 74% were young males with little or no qualifications, 4% had the equivalent of A Levels (Abitur) and only 3% were university educated (Statistisches Bundesamt, 2009). This created considerable challenges for temporary staffing agencies, as an increasing number of vacancies required skilled workers. Rather than accept they were no longer compatible to provide suitable workers for labour market demands, many larger agencies began to adapt, offering their own systems of training to try and mould workers to fit demands in the labour market. This level of training and education was not seen in the TSI in either UK or the Czech Republic.

For many years, German temporary staffing agencies had invested to some extent in the continuing education of their employees, sponsoring forklift certification, IT courses and language training, and some agencies assumed responsibility for welding and soldering certificate training. The low costs for this form of continuing education were covered by client placement for a specified minimum period. However, a series of more intensive and
accredited training programs for temporary agency workers were implemented via a number of temporary staffing agencies; when they could not provide the training programmes themselves, these were typically outsourced, or provided by educational providers in the framework of collaborative training (e.g. for machinists, licensed carers, for the elderly). Education and training programmes included both short and medium term qualification programmes for applicants and employees alongside e-learning programmes. Table 6.8 documents the significant activities of some of the larger firms in Germany.

Table 6.8: Training programmes for temporary agency workers in Germany

<table>
<thead>
<tr>
<th>Offered by</th>
<th>Training/Retraining</th>
<th>Description</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>DIS-AG</td>
<td>Cooperative training</td>
<td>Cooperative training for skilled worker is offered in the following occupational areas: electronic technicians for plant systems, aircraft mechanic, industrial mechanics, process technician, cutting machine operator.</td>
<td>Throughout Germany</td>
</tr>
<tr>
<td>Start</td>
<td>Cooperative training</td>
<td>The temporary staffing agency concludes the training contract and assumes responsibility for managing the training programmes. The occupational training takes place through cooperative firms that also contribute one half of the training pay. A prerequisite for each cooperation is that the cooperating firm provide primary or additional training (as standard under the so-called dual system of vocational education and training).</td>
<td>North Rhine-Westphalia</td>
</tr>
<tr>
<td>Tuja Zeitarbeit GmbH</td>
<td>Cooperative training</td>
<td>Cooperative training in cooperation with the Federal Employment Agency in a number of different areas.</td>
<td>Throughout Germany</td>
</tr>
<tr>
<td>Trenkwaldar Personalienste</td>
<td>Cooperative training</td>
<td>Cooperative training in cooperation with the Federal Employment Agency, including the following areas, production specialists, welders, solderers, warehouse and metals specialist, warehouse and electrical specialist.</td>
<td>Throughout Germany</td>
</tr>
<tr>
<td>Randstad Deutschland</td>
<td>Cutting machine operator</td>
<td>Retraining to be current machine operator with a DMG Certificate Duration 2 Years. Curriculum: manufacture and qualify testing of components, planning, development, and control of production orders, installation, support and maintenance of production equipment.</td>
<td>Detmold</td>
</tr>
<tr>
<td>Adecco Personaldienstleistungen, Manpower, Randstad Deutschland</td>
<td>Certified elderly carer</td>
<td>Training to be a certified geriatric caregiver (in cooperation with Adecco, Manpower and the Federal Employment Agency) Duration: 3 years.</td>
<td>Frankfurt am Main</td>
</tr>
</tbody>
</table>

Source: Adapted from Spermann (2011).

In addition, temporary staffing agencies joined forces with unions to provide further opportunities for training. For example, Positive - Technicum, an arm of USG people, signed an agreement with IG BCE, the mining, chemical and energy trade union, to establish a professional training fund for temporary agency workers in 2010. The aim was to encourage temporary agency workers to invest in their continuing professional development as any other employee would do (SIA, 2010f). A further example of efforts by temporary staffing agencies to expand their training capabilities is drawn from 2011
where Adecco acquired a 70% share in Trainco, the technical training and staffing agency owned by Lufthansa, as a means to reinforce their professional training provision (Industry Commentator, Interview #57). For agencies the problem of providing training is that if a temporary worker gave notice shortly after the completion of a continuing education programme, or if a client hires a newly trained temporary worker a few days later without remuneration, then the agency will have lost out on its investment.

While the issue of training through temporary staffing agencies is still in its infancy compared to their more established placement activities, there are indications that the future may see a greater level of co-operation between these actors. This sub-section has highlighted a developing role of agencies within the labour market, both as a path to employment, and as a provider of training. The thesis now turns to events in Germany which illuminate further key relationships which have influenced the development of the German TSI.

6.4 Exploring key issues in the German temporary staffing industry

Having introduced some of the key actors and regulations which have shaped the temporary staffing industry (TSI) in Germany, this section now explains how events related to the use of in-house agencies, the development of a minimum wage and perceptions of the temporary staffing will contribute to a distinct form of TSI.

6.4.1 Uncovering the practices of In-house agencies

After the deregulation of the TSI through the Hartz reforms, a larger number of firms began establishing in-house temporary staffing agencies, the largest of which for 2009 are outlined in Table 6.9. In 2009:

'It was estimated that around 7% of companies had established their own in house agency (or at least an internal agency unit designed to deal with human resources' (Trade Association, Interview #51).

A relatively small percentage of temporary agency workers (1.7%) were employed through in-house temporary staffing agencies in 2008 (Industry Commentator, Interview #57). While some in-house agencies were established to facilitate a more efficient use of agency workers, as was the case of for DB Zeitarbeit, there were examples where they were used to evade collective agreements. In some cases agencies engaged in ‘revolving door’ practices, whereby permanent workers were made redundant and then re-employed through their own in-house agency at a much lower wage. The most high profile example of these practices was that of Europe's largest pharmaceutical chain, Schlecker. The company made a large number of their workers redundant and re-employed them through
their own in-house agency, Meniar, at significantly lower wages, and without the benefits of permanent employment (Spiegel, 2010b).

**Table 6.9: Largest in-house temporary staffing agencies in Germany, 2009**

<table>
<thead>
<tr>
<th>Group</th>
<th>Business</th>
<th>In-house temporary staffing agency</th>
<th>Year Established</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volkswagen Automobile</td>
<td>Wolfsburg</td>
<td>1999</td>
<td>5440</td>
<td></td>
</tr>
<tr>
<td>Deutsche Bahn Transport</td>
<td>DB Zeitarbeit</td>
<td>2001</td>
<td>2500</td>
<td></td>
</tr>
<tr>
<td>Schlecker Retail</td>
<td>Meniar PersonalService</td>
<td>2008</td>
<td>1500</td>
<td></td>
</tr>
<tr>
<td>Deutsche Telekom Telecommunication</td>
<td>Vivento Interim Services ¹</td>
<td>2006</td>
<td>1000</td>
<td></td>
</tr>
<tr>
<td>Arbeiterwohlfahrt Westliches Westfalen</td>
<td>Care</td>
<td>2006</td>
<td>1000</td>
<td></td>
</tr>
<tr>
<td>Globus SB-Märkte Remondis</td>
<td>Retail</td>
<td>2006</td>
<td>580</td>
<td></td>
</tr>
<tr>
<td>Waste Disposal</td>
<td>Regional Gesellschaft</td>
<td>2004</td>
<td>550</td>
<td></td>
</tr>
<tr>
<td>Ameos Clinical</td>
<td>Ameos Servicegesellschaft</td>
<td>2004</td>
<td>400</td>
<td></td>
</tr>
<tr>
<td>BASF Chemistry</td>
<td>BASF jobmarkt</td>
<td>2002</td>
<td>340</td>
<td></td>
</tr>
<tr>
<td>DRK-Kinderklinik Sigen</td>
<td>Persana</td>
<td>2005</td>
<td>290</td>
<td></td>
</tr>
<tr>
<td>TUI Deutschland Universityklinik um Essen</td>
<td>TUI active UK Essen Personalservice</td>
<td>2003</td>
<td>220</td>
<td></td>
</tr>
<tr>
<td>Alba Waste Disposal</td>
<td>Eures Euro Recycling Service</td>
<td>2007</td>
<td>120</td>
<td></td>
</tr>
<tr>
<td>Gruner &amp; Jahr Media</td>
<td>G&amp;J Servicegesellschaft</td>
<td>2002</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

¹Joint Venture with Deutsche Telekom (49%), Manpower (51%)

Source: Translated from Wirtschafts Woche (2010).

The Schlecker scandal received widespread media attention in Germany (Focus, 2010; Spiegel, 2010a), and put the firm under pressure from the government and wider society, to change its policy of using staff from the in-house agency. The firm had been closing some of its smaller branches and opening up new larger branches, re-employing the same staff through the agency and paying wages around €6-7 an hour, significantly lower than workers would have received had they still been employed on a permanent contract. The scandal highlighted the misconduct that was evident in the use of in-house agencies, and contributed to the negative image and poor reputation that temporary agency work had developed in many sectors of German society.

Schlecker ceased its practices of using this agency after high levels of pressure from the highest echelons of German society. The Federal Employment Minister, Ursula von der Leyen, developed the name 'Red Baroness' in the press after publicly criticising the firm's use of these agencies to exploit its staff. This is significant, as it is extremely rare for a cabinet minister to voice such a direct criticism of an individual firm, and for Ministers to be
publicly discussing the practices of temporary staffing agencies (Financial Times Germany, 2010).

The Schlecker scandal even provoked an explicit criticism from Chancellor Angela Merkel, who stated that she would not act passively when 'companies like drugstore chain Schlecker simply sack their staff and re-employ them at half the pay via staffing agencies', and that these practices were 'bordering on immoral' (Die Zeit, 2011). A further response from the Employment Minister in the Spiegel stated 'if the temporary employment sector cannot find the courage to sort this out by themselves we are going to intervene' (2010b).

The scandal highlighted to government that an element of regulation and monitoring was needed in the German temporary staffing industry. It sparked debates in the German Parliament, and parliamentary questions led to the confirmation that there were a significant number of breaches of regulation by temporary staffing agencies - rising from 510 in 2005 to 2,139 in 2008. These agencies were fined more than €3.72 million in 2009. These breaches of regulation included failure to pay social security contributions, late payment of taxes, failure to pay the correct salaries, and failure to allow holidays for temporary agency workers.

In the wake of the Schlecker scandal, many employers sought to distance themselves from the use of in-house agencies. For example, the chemical giant Bayer sold its in-house temporary staffing agency Job@ctive to Hanfried Personaldienstleistungen, a temporary staffing agency based in Hamburg, who argued that 'Hanfried and Job@ctive have a different history but very similar business model. Both companies have a policy of treating staff fairly' (SIA, 2010b). Job@ctive had initially been established in 2001 in order to utilise former Bayer employees and bring them back to work in the firm through a staffing agency contract.

After the Schlecker scandal, further poor practices were revealed; for example the Minister for Employment of Germany's most populous federal state, North-Rhine Westphalia, attacked the university hospital over its use of an in-house agency, where temporary agency workers were paid considerably less than permanent staff, commenting that their use of temporary agency workers was a 'big problem' as permanent jobs were being replaced by agency workers 'who should be used to cover peaks only' (SIA, 2010c). The agency Personalservice GmbH (PSG) was established by the hospital as a 100% owned subsidiary, and despite criticism the hospital was keen to explain that usually there were only around 245 temporary agency workers out of a workforce of around 5,500 (SIA, 2010c). The hospital were unhappy about the comparison to Schlecker, and maintained they were not simply re-employing redundant workers under an agency contract.
From these discussions it is possible to extract some key arguments about the use of TAW in Germany. First, temporary agency workers were often used to cover peaks in demand, not as a long-term firm strategy for personnel. Second, temporary staffing agencies can be a point of entry into the formal labour market for those that would have otherwise been unemployed, as was argued by a domestic agency manager when discussing the PSG situation:

‘Many of the employees [referring to the PSG employees] were probably long term unemployed, have low qualifications and would not stand a chance in the labour market, the agency gave the people a chance of a job’ (Domestic Agency, Interview #47).

However, DGB (the largest confederation of trade unions in Germany), indicated that the Schlecker example was not an isolated case and that firms, particularly in the engineering sector, were systematically replacing employees with temporary agency workers on significantly lower pay.

‘For years we’ve been seeing a creeping process in which workforces are being replaced by agency workers’ (WAZ, 2010).

Against this backdrop, the collective agreements between the trade unions and trade associations adopted specific clauses for the regulation of in-house temporary agencies to ensure workers could not be fired and then re-hired through an in-house agency. While they did not include an outright ban on in-house temporary agencies, the agreement states that substitution of permanent workers with temporary agency workers should be curbed. However there are examples where in-house agencies operate successfully. DB Zeitarbeit, a subsidiary of Deutsche Bahn, negotiated with EVG (the transport union) regarding wages and working conditions, and since operations began in 2001 there have been few disputes.

6.4.2 Interactions in the fighting for a minimum wage for temporary agency workers

The discussions on labour market reforms for the TSI that followed the Schlecker scandal were instigated by Minister for Employment, Ursula von der Leyen (CDU), who encouraged the introduction of a legally binding minimum wage for all temporary agency workers in Germany. In order to understand the key events in these discussions and the eventual decisions, a timeline is presented (see Table 6.10). Germany did not have a nationally binding minimum wage as it was negotiated on a sector by sector basis between unions and employers (or employers associations). In the past the three employer organisations and multiple unions had disagreements on the minimum salary levels, resulting in a range of collective agreements being established. The Minister suggested that employers and unions should agree on a legally binding minimum wage
for all temporary agency workers, whether they were members of any union or not, as well as outlawing the 'revolving door' practices of some in-house agencies.

Table 6.10: Significant events in the development of the minimum wage for temporary workers legislation in Germany

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>10th January</td>
<td>Europe's largest drugstore chain, Schlecker accused by trade union Ver.di of closing its smaller branches making its workers redundant, opening up larger branches and re-hiring the workers through its own in-house temporary staffing agency Meniar, at almost half the workers previous hourly wage (€12.50 down to €6.70).</td>
</tr>
<tr>
<td>12th January</td>
<td>Minister for Labour and Social affairs, Ursula von der Leyen, openly criticises Schlecker for its practices of sacking and employing it's staff at lower pay and conditions through an agency. Schlecker responded by stating it wouldn’t have more staff from the agency involved, Meniar.</td>
</tr>
<tr>
<td>27th January</td>
<td>BZA and DGB agree to raise wages for temporary workers by 5% by May 2010.</td>
</tr>
<tr>
<td>16th February</td>
<td>Chemical firm Bayer sells in-house agency Job@ctive to Hanfried Personaldiensleistungen gmbh.</td>
</tr>
<tr>
<td>24th January</td>
<td>Minister for Employment in North-Rhine-Westphalia, Karl Joseph Lumann, attacked university hospital at Essen over in-house temporary staffing agency where temporary workers were paid considerably less than permanent workers.</td>
</tr>
<tr>
<td>26th January</td>
<td>BZA makes new agreement over salaries for temporary agency workers.</td>
</tr>
<tr>
<td>22nd March</td>
<td>German Chancellor Angela Merkel criticises practice of in-house temporary staffing agencies remarking it was ‘bordering on immoral’.</td>
</tr>
<tr>
<td>19th May</td>
<td>President of Gesamtmetall calls for minimum salary for temporary workers but warns of the introduction of too much regulation.</td>
</tr>
<tr>
<td>20th May</td>
<td>In a speech to the Confederation of German Trade Unions (DGB), Minister for Labour and Social Affairs, Ursula von der Leyen, explains that the government would no longer tolerate employment law that allows companies like Schlecker to exploit temporary agency workers.</td>
</tr>
<tr>
<td>18th June</td>
<td>Minister for Labour and Social Affairs presents proposals to initiate negotiations about labour market reforms for temporary agency work. Proposals advocate a legally binding minimum wage for all temporary agency workers to come into effect in May 2011 as well as a clause to prevent ‘the revolving door’ practices of companies like Schlecker, termed the ‘Schlecker clause’.</td>
</tr>
<tr>
<td>13th July</td>
<td>Meeting of the Coalition government. FDP state they want to implement ‘Equal Pay for Equal Work’ after a certain period of time rather than a minimum wage as this would be more in-keeping with the demands of the European Agency Workers Directive.</td>
</tr>
<tr>
<td>9th August</td>
<td>Head of USG People Germany criticises the inflexible approach of the lobbying on the issues of equal pay for equal work and criticises any parties involved in practices like those of Schlecker.</td>
</tr>
<tr>
<td>3rd September</td>
<td>BZA speaks out against Equal Pay for Equal Work, as it would not be economically viable.</td>
</tr>
<tr>
<td>7th September</td>
<td>Minister for Labour and Social Affairs, presents proposals for the reform of temporary agency work to the Coalition government. CDU maintain a minimum wage is the right choice, whereas the FDP favour ‘equal pay for equal work’.</td>
</tr>
<tr>
<td>9th September</td>
<td>Manpower Germany announced they are in favour of a minimum wage but warn against over regulation. They did not like the FDP proposals for Equal Pay for Equal Work.</td>
</tr>
</tbody>
</table>
President of BZA calls for minimum wage due to the future opening of the German market to Eastern European agencies in May 2011.

Cabinet agreed on law regarding temporary workers. The law contains a 'revolving door clause' making it illegal to sack workers and re-employ them as temporary workers on reduced pay through an agency.

German high labour court, the BAG, declares the collective agreements negotiated by CGZP and AMP on behalf of its members null and void on the basis CGZP were negotiating in favour of employers. Agencies who were part of the GCZP/AMP collective agreements would have to retroactively pay temporary employees the difference between their illegally negotiated minimum wage and the wage they should have received. It ruled that CGZP could not be a union as it was not sufficiently representative of its members.

Agreement between Coalition Government and Social Democrats to bring a national binding minimum wage for temporary employees.

BAG announces its decision to allow those agencies where retroactive payments threaten the survival of the agency can be made in instalments.

AMP and BZA merge to become BAP, representing 70% of Germany’s temporary agency workers.

Opening of the German labour market to Eastern European members states in the EU.

A nationally binding minimum wage temporary agency workers agreed.

Minimum wage for temporary agency workers came into force.

Source: Author’s compilation.

In contrast, the Federal Minister for Economics and Technology, Rainer Brüderle (FDP) had fundamentally different views on the introduction of a minimum wage. While the Minister for Employment was adamant that a legally binding minimum wage was necessary for the TSI in Germany, Brüderle remarked:

'It is generally a mistake for governments to set minimum salary levels. Minimum salary agreements in the temporary employment sector are perfectly adequate. The government must not interfere' (SIA, 2010e).

An interesting development took place when the Free Democrats (FDP), who diametrically opposed the concept of a minimum wage, put forward proposals that supported an 'equal pay for equal work' concept for all temporary agency workers, as this would be more in line with the requirements of the EU Agency Workers Directive. Brüderle later commented to Die Welt, that:

'I regard minimum salaries as a problem. The labour market, like all markets, depends on supply and demand. I do not believe in a government-imposed minimum salary for temporary employees and I don't share the concern that Germany will be flooded with cheap foreign employees from Eastern Member states of the EU when the labour market opens for them in 2011. On the contrary, I consider the opening of the labour market as an opportunity and not a threat' (Die Welt, 2011b).

It became evident that while trade unions recognised the need for minimum standards in the TSI - to bring it in line with other industries more generally - there was hostility from all but the trade unions (and a few government representatives) regarding the issue of equal pay for equal work. As the Financial Times Deutschland explained:
‘Equal pay for equal work would be a far worse thing. It would be a radical u-turn away from the new flexibility in the German labour market. It would make temporary employment expensive and many staffing firms could not survive that’ (Financial Times Germany, 2010).

The drive to ensure a minimum wage was also related to the opening of the German market to Eastern European workers from 1st May 2011. It was estimated that between 100,000 and 140,000 workers from Eastern Europe would flock to Germany in 2011 (BA, 2010), and unions and the government were keen to ensure that 'wage dumping' by Eastern European staffing agencies would not occur. Germany did not have a minimum wage as such (until 2011), and minimum salaries were negotiated between unions and employer associations under collective agreements, as explained earlier in this chapter. Polish and Czech temporary staffing agencies were rumoured to be preparing for the opening up of the labour market in 2011 with wages as low as €4 (Domestic Agency, Interview #45). The concern was that Eastern European agencies would facilitate the movement of workers across the national border with wages at a much lower level which could mean existing agencies would be priced out. In an industry where many domestic agencies were operating on a very low profit margin - particularly at the low skilled end of the market - this would have been highly detrimental.

‘In my view, the legislator does not have the option of doing nothing about this. This would almost be an invitation to abuse’ (Trade Association A, Interview #49).

The opening of the national market, however, was in some ways encouraged by employers as there were already skills shortages in the German labour market, and Eastern Europe was seen in some respects as an 'untapped talent pool', although predominantly for manual and unskilled work (as discussed by Felker, 2012).

Unlike in the UK, actors in the German temporary staffing industry were less concerned about the European Agency Workers Directive, because of the prevalence of existing collective agreements: the stipulation of equal treatment and equal pay from the EU directive can be overruled by the presence of a collective agreement. The German government even sought the advice of the temporary staffing industry representatives, such as BZA - a trade association for the TSI - on the reform of market legislation. BZA highlighted that there were still existing restrictions for temporary agency workers which did not comply with the AWD, for example that agency workers in Germany are still not allowed in the construction sector or to work in jobs that involve the company-internal transportation of goods (Werkverkehr). The latter restriction was removed in November 2011 (SIA, 2011f), though the former remained what the BAP termed an 'unjustified restriction' - and therefore in violation of the EU AWD.
The discussion over the potential to make changes to TSI legislation either through the form of equal pay for equal work or a minimum wage, continued. An industry commentator highlighted that:

‘Equal pay for temporary employees would prevent employers from establishing in-house temporary employment agencies to replace permanent staff with cheaper agency labour, the main purpose of many of the in-house agencies was very cheap agency labour’ (Industry Commentator, Interview #59).

The unions too, recognised a need for a minimum salary in the temporary staffing industry:

‘When the Eastern Europeans get access to Germany in 2011 we will need a minimum salary for the industry. Otherwise, the pressures on pay will become too great’ (Trade Union, Interview #53).

The concept of a minimum wage was generally accepted as a positive move by unions and some government officials: in contrast, the concept of equal pay for equal work was not as widely welcomed. The President of BZA spoke out about the equal pay concept:

‘Is it just that a temporary employee gets less money for fitting the left door of a car than a permanent employee gets for fitting the right door of the same car...64% of temporary employees were unemployed prior to their temporary employment... temporary employees are paid at rates which are agreed by collective agreements between unions and employers. Should we now pay them the same amount as a highly specialised permanent employee or should we pay them an economically viable salary... as much as it might be desirable, equal pay for temporary employees is in reality usually not economically viable. What will actually happen is not just that fitting the car doors but the whole car manufacturing process would end up abroad in a low wage country and temporary employees as well as permanent employees who worked on it would no longer be required’ (2010, www.bza.de).

A transnational agency manager echoed this view:

‘The concept of equal pay for equal work obviously appeals to the sense of justice of large sections of society. However, the palaver these people are making bears no relation with reality. The collective know-how of a company is built over many years by its permanent employees. The fact that these permanent employees are simply more productive and create greater added value than agency temporary employees is only natural. That is the reason why they are paid more’ (Transnational agency, Interview #43).

The trade unions however were in favour of both minimum wage and equal pay for equal work:

‘The government needs to ensure that temporary employees earn the same amount as a permanent employee. We also need a minimum wage for temporary employees in order to prevent wage dumping at the bottom end of the income scale’ (Trade Union, Interview #53).

In order to put pressure on the government regarding these issues, the DGB and its affiliate union IG Metall carried out a series of strikes across the country, as seen outside
a Huber Technology factory in Öhringen (see Figure 6.14) and outside a BMW factory in Regensburg (see Figure 6.15).

**Figure 6.14: Workers protesting outside a Huber factory**

![Workers protesting outside a Huber factory](Source: Hohenlohe Ungefilert (2011).

**Figure 6.15: Workers protesting outside a BMW factory**

![Workers protesting outside a BMW factory](Source: Regensburg Digital (2011).

The trade union for the metal sector, IG Metall stated that:

‘We will not rest until equal pay has become a reality for all workers in Germany. Many employers abuse the system by paying as little as they can to make extra profits [out of temporary employees] (www.igmetall.de, 2011).

A key concern for many of the trade unions was the increasing prevalence of temporary agency workers in certain sectors, particularly when:

‘Permanent employment has become the exception. Temporary employment is beginning to seriously threaten permanent employment in this country [Germany]. It's alarming as it seems the government is opening all gates and doors for wage dumping with their new reform of the temporary employment sector because the reforms do not include any sort of time limit for the temporary employment contract...temporary employment is, and should be a part of a company's staffing policy. Temporary employment was designed to complement permanent employment, it does not, and should not replace it' (Trade Union, Interview #52).

There was discontent from trade associations who described the 'equal pay for equal work' concept as:
'Unacceptable for the temporary employment industry...this agreement makes decisions at the expense of a third party (temporary staffing agencies who employee temporary employees and then hire them out to final employers)' (Trade Association, Interview #49).

In contrast to the unions, temporary staffing agencies warned against the 'equal pay for equal work' concept, in particular arguing that agency workers made a choice to accept work of this form and would accept lower pay:

'In contrast to France and the Netherlands, where temporary employees lose their jobs when their placement is over, temporary employees in Germany are usually permanent employees of the staffing agency. Temporary employees in Germany prefer this permanent relationship and for that they accept slightly less pay' (Transnational agency, Interview #39).

While the agencies (both transnational and domestic) were generally in favour of temporary labour market reforms, they were concerned about 'overregulation' which could inhibit future growth of an industry that has just begun.

'Germany has come out of the [financial] crisis so well because employers were quickly able to react to the boom before employing more staff. Temporary employment was very important in this and one in each three new jobs is a temporary job. If we lose this flexibility, employers will become far more reluctant to hire new staff...Equal pay would deprive companies of their flexibility, create enormous bureaucracy and quite simply destroy jobs' (Transnational agency, Interview #39).

In addition, there were concerns from agencies and firms who used temporary agency workers about the development of too much regulation which would not address the real mistreatment of temporary agency workers:

'It is always a good thing to get rid of abuse but the Ministry for Employment should limit its actions to real cases of abuse [and not too much red tape]' (Transnational Agency, Interview #41).

Trade unions and BZA put a proposal forward for a collective agreement that ensured a minimum wage for all agency workers in Germany in 2011, the same year the German Cabinet accepted the proposal. The new minimum wage would be applied to all temporary agency workers in Germany from 1 January 2012 (Stettes, 2012). Wages were set at €7.89 per hour in Western Federal States, and €7.01 in Eastern Federal States. The wage disparity here points to the distinct regional variations the TSI experiences in Germany. Martin Dulig (SDP) from Saxony in Eastern Germany noted this disparity:

'It is inconceivable that 20 years after German re-unification there are still different legally binding pay levels for Eastern German and Western Germany and argued for the introduction of a nationally binding minimum wage of €8.50' (Bild, 2011).

After this decision was made, trade unions and trade associations were both still discontent, remaining adamant that government should not be getting involved in wage
setting, as this was the territory of the trade associations and trade unions. But as one
trade association stated, when commenting about a merger of associations:

‘The recent negotiations about the minimum wage for temporary workers for as
opposed to equal pay for equal work has demonstrated to the rest of the market
how dependent the temporary staffing industry is on decisions made by politicians
in Germany. Hopefully in the future we can work to make it less dependent, and
combining our efforts [with other trade associations] is therefore an important step
towards a better representation of the industry… and hopefully we will be able to
move on from all the media attention about Schlecker and focus more on the
benefits agency workers bring to the market’ (Trade Association, Interview #51).

Lobbying from trade unions contributed to further discussion between politicians about the
potential to introduce 'equal pay for equal work', a concept supported by some politicians
in opposition parties, such as Sigmar Gabriel (SPD). He argued for a 10% premium for
agency workers, a suggestion greatly welcomed by trade unions (Trade Association,
Interview #51). It is likely Sigmar appeared to draw upon the French model for TAW,
where these workers are paid a similar premium to compensate for their insecurity in the
labour market (Vigneau, 2005). This is an important example of where it is not useful to
draw from other national examples of how the TSI operates, as each country experiences
specific institutional arrangements. In France, when a temporary staffing agency contract
ends, the worker becomes automatically unemployed. In Germany agency workers are
the permanent employees of the temporary staffing agency and therefore when their
placement ends they continue to pay their wages or provide training (in most cases).

‘French staffing agencies only act as agencies and do not have the risk of having
to cover for unbilled time. A combination of the French and the German system
whereby staffing agencies would have all the obligations of a full-time employer
and also have to pay a premium to their temporary employees will not work and
does not exist anywhere on the planet' (BAP spokesperson quoted in SIA (2012c).

Trade Associations tried to stress that equal pay for equal work would not only create an
administrative nightmare due to the different pay rates across the country but would also
make the option of temporary employment no longer economically viable for some
agencies, that could be forced to close. They invited politicians to discuss the concerns of
'over-regulation of what they considered a thriving industry' and tried to stress the
negative effects it would have on the market (SIA, 2011d). Although this view was not
shared by all agencies, the Vice President of Manpower Europe, Hans Leentjes, said that
he supported the idea of treating employees equally:

‘If they [temporary workers] do the same work [as permanent employees] then I
don't see why they should be paid differently' (Berliner Morgenpost, 2012).

While the discussions surrounding minimum wages and equal pay may indicate that the
government was in favour of encouraging TAW, this position was not shared across those
in government. The Business Minister of the Federal State of Thuringia, Mathias Machnig, announced in 2011 his intention to reduce investment subsidies (or cut them completely), for companies who employ ‘too many agency employees’ (SIA, 2011c). Proposals were made that employers with temporary agency workers as 10-30% of their workforce would only receive basic levels of investment subsidies as part of the labour cost subsidies system of the European Social Fund (ESF). This was followed in 2012 by the regional government of Saxony-Anhalt stating that firms where agency workers represented more than 20% of staff would be excluded from public investment subsidies (Staatskanzlei des Landes Sachsen-Anhalt, 2012). Furthermore, employers with more than 30% of their workforce comprised of agency workers would receive none. BZA termed the plans ‘discriminating and not legally tenable’ as this would be in direct conflict with the European Agency Workers Directive (SIA, 2011c). A further example comes from a government representative in the Munich region who planned to reduce the number of agency workers in the region. His reasoning was that there should be a preference for full-time posts, and that temporary agency workers should be restricted, and only used in periods of high demand (Government Representative, Interview #38). A trade association commented that:

‘It's clearly making an unacceptable move of discrimination against agency work. Agencies would be severely disadvantaged even though they create regular jobs for people who are legally employed and pay their taxes and social security contributions. He is not thinking about both sides of the temporary work arguments and it's quite bizarre that the government wants to fight what is effectively one of the main engines of growth for Germany at the minute’ (Trade Association, Interview #50).

The President of the Association of Employers in the Metal Industry (Gesamtmetall), appealed to Federal State governments not to follow the example of the Business Minister for Thuringia, citing concerns that this could damage the economy of the Federal State:

‘Employers in Thuringia will in future have to ask themselves whether they find the right business environment in the Federal State. I urge other State governments not to follow this example. The bedevilling of temporary employment is based on ignorance about how the economy works. Business needs flexibility in order to manage peaks and troughs. This is how many redundancies were avoided during the recession’ (Martin Kannegieser, Frankfurter Allgemeine Zeitung, 2011).

Furthermore, BAP highlighted that the EU AWD was designed to remove unjustified restrictions, which these actions clearly contravened:

‘In our view, the regional government's decision is legally untenable. It also contravenes the European Union directive on agency employment, which demands that governments abolish all unjustified restrictions to agency temporary employment. They certainly must not introduce new restrictions’ (BAP website, 2011).
However, there was an even more extreme viewpoint from the left wing party Die Linke who made a case to the German Bundestag for the abolition of TAW completely on the grounds that agency workers were made to become second-class members of society. Their proposal for the bill included an obligation for firms to give equal pay and conditions to permanent workers, and also provide these workers with a permanent contract. Their justification:

‘In times of crises [temporary employees] land on the streets first and temporary workers live in fear. They are often treated as second-class employees and this needs to stop. More needs to be done to end sham contracts with agencies with poor working standards or who employ temporary workers illegally’ (Government Representative, Interview #38).

This statement highlights three interesting points: first that there was still a level of hostility towards temporary staffing in Germany from some areas of the state; second it hints at a conflicting relationship between some of the trade associations and the government in the German system; and third it refers to agency work as a means to manage peaks and troughs in demand - not more widespread use as has been suggested (Holst et al., 2010). Nevertheless the importance of politicians and state involvement in the German TSI remains. The cartoon on the front page of a monthly magazine produced by the trade association iGZ (see Figure 7.13) shows the Federal Employment Minister, Ursula von der Leyen holding scales which contain 'collective agreements' and 'equal pay' with the caption, 'Temporary Agency Work: it's in her hands'.

Figure 6.16: Temporary agency work: the Minister has it in her hands

While the state wanted to try and reduce unemployment, which is what the Minister felt this policy would do, the unemployed were one of the main groups of people who benefitted from temporary agency work. The Federal Labour Agency (BA) reported that
57% of new temporary agency workers in the second quarter of 2010 were those who had previously been unemployed (20% of these had been long-term unemployed) (BA, 2011). As an interviewee from a government department remarked:

‘Without agency employment these people would have had almost no chance to ever get into the German labour market’ (Government Representative, Interview #36).

For some, the actions of the government were contradictory, as it went to great lengths to ensure there was a minimum age - interfering in an area traditionally with little state involvement - but keeping in place restrictions hindering the industry:

‘The government has generally accepted the positive influence of agency temporary employment as a ‘job engine’ and an accelerator for growth. precisely because of this it is incomprehensible that there are still restrictions on our sector, some of which have been in existence for decade. The construction industry is still not open for agency workers and without any plausible reasons. Non-EU workers without a permanent residence permit are also cannot work as an agency worker’ (Trade Association, Interview #50).

It seems as though there was a conflict in the German system. There was a need for flexibility in the labour market, acknowledged by both government, agencies, trade association and, to some extent, trade unions. However, where temporary agency workers grew to become a significant portion of the workforce, they were often met with resistance from trade unions, and some politicians.

6.4.3 Perceptions of the temporary staffing industry in Germany

With one in every three new jobs in Germany created through a temporary staffing agency in 2010 (BA, 2010) one would not think negative perceptions of the TSI would present a significant barrier to growth. However the TSI had gained a negative image within Germany driven by media exposure of poor pay and working conditions of temporary agency workers, and agendas driven by the unions to promote the standard permanent form of employment, with temporary agency work presented as the epitome of vulnerable and insecure employment. This negative image was viewed by many temporary staffing agencies and trade associations as a significant barrier for further expansion.

Despite the nationally binding minimum wage for temporary agency workers (established in 2011), the status of temporary agency workers in the German labour market was still that of a second class worker who was paid less than an equivalent permanent worker and often subject to worse working conditions. There have been significant demonstrations against the use of temporary agency workers. 10,000 employees of aircraft manufacturer Airbus demonstrated against the company’s policy of using a high percentage of temporary agency workers (IG Metall, 2011). The largest demonstrations
took place outside the Hamburg Works where 8,000 employees made it known that they wanted the percentage of agency staff in the company reduced and the percentage of permanent staff increased. Smaller demonstrations took place at three other locations in Germany (IG Metall, 2011). A manifestation at the most extreme end of the scale of the anti-temporary agency work sentiment was a terrorist attack on the offices of Randstad in Frankfurt. On January 31st 2011, a terrorist organisation called the Morning Light Movement (Bewegung Morgenlicht) were accused of lighting a petrol bomb thrown through the letter box of a temporary staffing agency causing €15,000 in damages. The group also sent a letter to the German tabloid Bild stating that the attack was a protest against TAW, which it referred to as 'modern slavery'. The letter stated that 'with this action we protest against temporary employment which is immoral, against common decency and exploits human beings' (SIA, 2010a). Other less extreme efforts made again TAW have been in the form of protests, against using the term 'modern slavery' to refer to the form of employment (see Figure 6.17), and trade union publications highlighting cases of poor treatment - for example the Black book: agency work from IG Metall (2012), (see Figure 6.18).

Figure 6.17 IG Metall strikes against 'Modern Slavery' temporary Agency Work

Figure 6.18 'Schwarzbuch Leiharbeit' Black book Temporary Work

Source: http://www.linkezeitung.de/  
Source: http://www.igmetall.de/

These examples both follow the Schlecker scandal which was seen as a major contributor to the image problems of the TSI. However, this was not necessarily representative of the experience of all agency workers, as highlighted by the President of BAP, Volker Enkerts:

'IG Metall paint the world black and distorted the image of the industry and the client company massively sided collected statements from union members may not be representative, finally, the industry employed about 900,000 temporary workers across all occupational groups and skill levels' (BAP, 2012a).
For the TSI to improve its bad reputation it needed to distance itself from the practice of in-house agencies by excluding them from industry association membership:

‘The Schlecker scandal has done a lot of damage to the reputation of temporary employment agencies although we are keen to stress that Schlecker is a retailer and therefore not representative of the TSI...some of these in-house agencies, like Meniar (used by Schlecker) were members of temporary staffing employer organisations for many years with no problems’ (Trade Association, Interview #49).

The government were keen to stress that breaches of regulation, laws and agreements could incur a fine up to €500,000, and as a response to the scandals and government debates, in 2011 the BA employed an extra 25 inspectors, bringing the total to 100 - almost twice the number of the Employment Agency Inspectorate in the UK (BA, 2011). Both transnational and domestic agencies were keen to stress that they were critical of the poor practices witnessed from some agencies, and were in support of the breaches of law being addressed, and appropriate measures brought into place.

‘There are not just a few black sheep in the industry. There are dirty tricks, which some agencies use regularly. Holiday and sickness pay are systematically avoided in order to save money. Temporary employees are intentionally incorrectly categorised in order to employ people on ‘minor job schemes’ for longer than is legal....The industry must sort this out and we have to do something about people’s impression that we are making money by paying people badly. Temporary employment does not just have a communication problem. It has a problem with the way some in this industry operate. The Schlecker scandal was an absolute nightmare for temporary employment because it showed how incorrectly the industry sees and represents itself. We have to start taking criticism seriously' (Managing Director, USG People Germany, SIA, 2010f).

Temporary staffing agencies blame misconceptions about the industry, and stress that people underestimate the potential benefits of temporary staffing for the economy. A study, involving a survey of 2,078 participants aged 18-65 carried out by the staffing agency Orizon, revealed that temporary staffing agencies were not regarded as good employers (Orizon, 2011b). A comparison of the perceptions about features of temporary staffing agencies, and what is regarded as good features of an employer is shown in Table 6.11.

While 97.6% of respondents believed that a good employer must have a performance related pay system, only 7.9% of respondents felt this was a feature offered by temporary staffing agencies. Interestingly, 85.9% thought good employers invested in the professional training of their staff, yet only 11.4% believed this would be received as an temporary agency worker, despite agencies stressing their function as a provider of training for agency workers. These figures do not mean that temporary staffing agencies did not offer these services, but merely the German public perception of them. A process of re-educating the public was required from temporary staffing agencies and trade associations.
Table 6.11: Perceptions of temporary staffing agencies in Germany

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Percentage of respondents who felt this feature made an attractive employer (%)</th>
<th>Percentage of respondents who felt these were services/features provided by temporary staffing agencies (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance related pay</td>
<td>97.6</td>
<td>7.9</td>
</tr>
<tr>
<td>Varied activity</td>
<td>91.4</td>
<td>46.7</td>
</tr>
<tr>
<td>Continuing Education courses</td>
<td>85.9</td>
<td>11.4</td>
</tr>
<tr>
<td>Holiday Pay</td>
<td>85.5</td>
<td>15.0</td>
</tr>
<tr>
<td>Christmas Bonuses</td>
<td>85.1</td>
<td>10.4</td>
</tr>
<tr>
<td>Company Pension schemes</td>
<td>85.0</td>
<td>4.3</td>
</tr>
<tr>
<td>Flexible working hours</td>
<td>81.6</td>
<td>29.2</td>
</tr>
<tr>
<td>Image of the Company</td>
<td>79.8</td>
<td>5.8</td>
</tr>
<tr>
<td>Healthcare</td>
<td>78.8</td>
<td>5.0</td>
</tr>
<tr>
<td>Attractive location</td>
<td>78.8</td>
<td>na</td>
</tr>
<tr>
<td>Employer Social Contributions</td>
<td>75.5</td>
<td>12.0</td>
</tr>
<tr>
<td>Social engagement</td>
<td>70.6</td>
<td>4.6</td>
</tr>
<tr>
<td>Travel expenses/allowances</td>
<td>67.3</td>
<td>30.2</td>
</tr>
<tr>
<td>Canteen</td>
<td>45.5</td>
<td>na</td>
</tr>
<tr>
<td>Childcare facilities</td>
<td>42.3</td>
<td>na</td>
</tr>
<tr>
<td>Reintegration into the labour market</td>
<td>na</td>
<td>43.1</td>
</tr>
</tbody>
</table>

na = not available

Source: Based on data from Orizon (2011a; 2011b).

The same actors that were concerned about this image were, in turn, actively trying to change it. BZA was trying to improve the perceptions of the staffing industry by criticising the term that is often used – ‘workers on loan’ (Leitarbeiter) - instead of the correct term, ‘temporary workers’ (Zeitarbeiter) – based on the argument that the latter had derogatory undertones (Trade Association, Interview #51). Randstad in particular had an extensive advertising programme across major cities in Germany in 2008 and 2009, and in 2012 held its own ‘most attractive employer awards’ (Randstad, 2012). iGZ developed a whole range of promotional materials designed to highlight the positive aspects of temporary agency work, even using their local agencies to try and indicate a positive image. In Figure 6.19 not only states 'Good Temporary Work', it displays an image of a person climbing steps, indicating a stepping stone function (Kvasnicka, 2005) of temporary agency work (TAW), with the words 'further education' below, hinting at the possibility of further education and training.

Figure 6.19: Good temporary work

Source: http://www.ig-zeitarbeit.de/.

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Perceptions of the TSI, then, were a potential barrier for the TSI in Germany, to a greater extent than in the UK. The activities of trade unions campaigning against the use of widespread TSI were well covered in the media, and the scandal surrounding Schlecker only added fuel to the fire.

6.5 Summary

'The world of work is changing, not only for us in Germany. The highly industrialised countries are in transition from an industrial to a service economy. Even in this country in recent years, many have joined more flexible forms of work' (Minister for Labour, Ursula von der Leyen, Die Zeit, 2011).

This chapter has presented the national system for temporary staffing in Germany, demonstrating industry growth prompted by de-regulation, and cemented by agency expansion. This chapter began by outlining the development of the German temporary staffing industry (TSI) which has experienced rapid expansion since the enactment of the Temporary Employment Act in 1972. Temporary staffing agencies operating in the market have experienced growth in terms of number of agencies, and turnover, yet the German TSI has remained very fragmented by international standards, much like the UK (Ciett, 2000). Although growing over time in size, agencies remain small, which may evidence a comparative advantage of the SMEs in the German system, but also the importance of spatial proximity of the agencies to their customer base, given the regional variations that Germany experiences in the wider labour market.

Successive waves of legislation reform regarding temporary agency work (TAW) acted as a primary driver of change. Trade unions and trade associations were key in shaping changes in regulation alongside influences from the state – in particular the Federal Employment Minister – around issues of terms of use for TAW and pay. Agencies have since responded to these changes, and have capitalised on the opening up of areas of the market from which they were previously excluded. As social partners who are linked through collective agreements for TAW in Germany, both trade unions and trade associations had a crucial role in shaping the prevalence and experience of TAW in Germany. Consequently, compared to the UK, trade associations exhibited much stronger relationships with trade unions. Germany did not, until May 2011, have a minimum wage as such for temporary agency workers. Minimum salaries were negotiated by sector via collective agreements between trade associations and unions. The actions of some in-house agencies prompted intervention by the state to ensure mistreatment of workers would not continue. This demonstrated the potential for direct state intervention in the activities of the TSI.
Like much of Western Europe, trade union membership has been in decline since the 1980s, attributed to the transition of the economy to more service sector orientation. This pattern runs concurrently with an increase in the number of workers employed in non-standard form, particularly the temporary agency workers; although these workers rarely tended to join unions. Although some efforts were made by unions to engage with temporary agency workers, or with issues regarding their use, the underlying messages from trade unions remained negative. Trade unions stress that TAW should be used as a tool for short term flexibility as the labour market demands, not as a viable employment options.

Trade associations, however, have been a primary channel for agencies to promote the use of TAW more generally, while agencies in remain active in expanding their presence in the labour market, building on skills gaps by developing training programmes specifically for temporary agency workers. The role of agencies then in the German labour market is expanding, from simply a short term employment option; however, the TSI in Germany faced serious image problems, in part due to preference for standard full time employment, but also in response to media coverage of the 'Schlecker scandal' and trade union campaigns which present TAW as 'slave labour'.

The German case not only provides an interesting example of where the temporary staffing industry has experienced significant development in a relatively short period of time, but it also highlights a series of issues relevant for the consideration of variegated capitalism, and national systems. Despite the expansion of transnational agencies into the German market, and the introduction of EU regulations it was the German state which continued to play a strong role in the operation of the TSI. Deregulation of temporary agency work acted as a spark for development, but the state later acted to protect temporary agency workers from abuse through introducing regulations on pay and conditions. This highlights how the state can play both the role of a deregulator and re-regulator and as such the potential for both dynamics should be considered in any exploration of a national system – convergence towards a neoliberal system should not be assumed.

Furthermore, although Peck and Theodore (2007b) highlight that studies of variegated capitalism should take into historical institutional arrangements, there should be no assumption of a particular path dependency. Despite the collective bargaining system for temporary agency work in Germany, events occurred which led to the introduction of a minimum wage for agency workers, a concept which prior to 2011 regulation change was seen as unnecessary. Therefore, while considerations of variegated capitalism should be sensitive to historical institutions it should be aware of potential drivers of change.
reiterates Whitley's (1999:26) argument that 'comparative analysis of economic organisation has to show how variations in particular societal institutional agencies and structures helped to generate distinctive forms of economic coordination and control and continue to reproduce differences between them'.

A further contribution can be made towards considerations of national labour markets, focused around the areas of skills and training. Some of the larger transnational temporary staffing agencies have engaged in provision of training in order to generate suitably skilled workers for the labour market. Another indication of private sector encroachment into areas such as education and skills training, an area more traditionally associated with state provision, particularly in the German case where vocational training education system is in place. Any efforts to explore national variegated capitalism should take into account not only the presence of particular institutions but highlight their particular roles in order to understand the system more fully (in this case training for a particular segment of the workforce).

The next chapter explores the features of the TSI in the Czech Republic, demonstrating the importance of historical background on the development of the TSI, with a variety of temporary staffing still emerging in the midst of the transition from communist rule.
7 The Czech Republic temporary Staffing industry: emergence, development and resistance

7.1 Introduction

The Czech Republic, formerly part of Czechoslovakia, has undergone a series of profound transformations since the middle of the 20th century, from a centrally planned economy to a market oriented one. From 1948 to 1989 Czechoslovakia existed under Communist control, whereby the economy and means of production were entirely controlled by the state. The collapse of the Soviet Union led to the installation of the first non-communist leadership of Czechoslovakia in 1990. Further changes were witnessed in 1993 when Czechoslovakia peacefully separated into the Czech Republic and Slovakia (Musil, 1995; Pickles and Smith, 1998). Following the Velvet Revolution, most of the Central and Eastern European (CEE) countries experienced a regional depression, and it took 18 years to return to the GDP it had registered in 1989 (Holubec, 2010). As part of the transition from state socialism to democratic capitalism, CEE countries underwent a process of restructuring and privatisation of state-owned enterprises, and the establishment of market economies virtually from scratch (Batt, 2007).

Under socialist rule the Czech Republic experienced a system of guaranteed employment and wages that led to low unemployment and an excess of labour demand over supply (Dale, 2011). While most CEE countries experienced a rapid rise in unemployment from 1989, the Czech Republic had significantly lower levels (Gitter and Scheuer, 1998). The Czech (and earlier Czechoslovakian) government, in co-operation with the social partners, followed a low wage, low unemployment strategy in the first half of the 1990s (Nešporová and Uldrichová, 1997; Keune, 2003). Increased competition and the forces of globalisation contributed to increasing unemployment rates, associated with labour market deregulation (Esping-Andersen and Regini, 2000; Mills and Blosfeld, 2005). By the late 1990s the unemployment rate had risen to 6.7%, peaking at 8.7% in 2000 as employment models moved from large state-owned companies to small and medium-sized private enterprises, the Czech population no longer having guaranteed employment from the state. A limited range of contracts forms for employment developed in the Czech Republic, of which temporary agency work (TAW) became one (for a discussion of the wider developments in the Czech labour market see: Filer et al., 1999; Svejnar, 1999; Stenning, 2003, 2005; Jurajda and Terell, 2003; Münich et al., 2005).

In 2004, along with other accession states (Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia), the Czech Republic joined the European Union (EU). As part of the rules of accession these countries were under pressure to liberalise
their economies, and labour markets, establish more flexible forms of working – including temporary staffing – to increase the labour market flexibility. In the period 2004-2006, the Czech Republic enjoyed its highest economic growth since independence from Czechoslovakia in 1993 which was attributed to accession to the EU.

In 2004, the temporary staffing industry (TSI) became legalised in the Czech Republic, after the establishment of a new Employment Act and amendments to the Labour Code. By 2010, the number of temporary staffing agencies had reached 215, with 70,000 temporary agency workers (ČSÚ, 2011; Ciett, 2012). There has been considerable academic research addressing the patterns of change associated with the transformation from a centrally planned to a market economy (Steinherr, 1995; Kaiser, 1996; Myant, 1996; Gross and Smith, 1997; Pickles and Smith, 1998; Vercerník and Mateju, 1999; Cazes and Nešporová, 2004). While some aspects of labour market change in CEE countries have been studied (Cazes and Nešporová, 2001; Riboud et al, 2002) little attempt has been made to explore the issue of TAW in CEE or the Czech Republic more specifically. During the transition from a planned to a market economy, a new institutional and legal framework was created. Institutional arrangements relevant for the Czech TSI are displayed in Figure 7.1 reflecting both its post-socialist background, and its position as an emerging market.

**Figure 7.1: The Czech Republic temporary staffing industry**

Source: Author's compilation.
The Czech TSI is still in its early stages of development and this is reflected in the regulatory landscape. While few restrictions are in place, financial requirements of agencies from the state are increasing. The welfare system is minimal resulting in a strong preference for full-time permanent work. Consequently trade unions are often strongly opposed to the use of TAW, seen as a threat to standard employment. At the same time trade associations, which would represent the interests of the TSI, while still in development, are attempting to develop a presence. The number of temporary staffing agencies has grown considerably since legalisation, including a number of large transnational agencies. However, the presence of informal agencies acts as extra competition to the multitude of locally based domestic agencies.

The chapter begins by profiling the characteristics of the TSI in the Czech Republic in Section 7.2, addressing growth in terms of both temporary staffing agencies and temporary agency workers. The Czech Republic witnessed a series of regulatory changes which allowed its initial creation and growth, followed by a series of measures which involved re-regulation of the market, which are explored in Section 7.3. This is followed by discussions which illuminate the key actors and relationships in the TSI in Section 7.4. This includes development of partnerships between agencies and public employment services, resistance to re-regulation, informal TAW, trade unions responses to TAW, and the future of the TSI in an emerging market. The chapter concludes in Section 7.5 by drawing together the key features of the industry highlighting how the unique historical economic and social background has created a distinct environment for the gradual development of the TSI in the Czech Republic.

7.2 Overview of the Czech Republic temporary staffing industry

By 2009 the temporary agency work (TAW) penetration rate for the Czech Republic had grown to around 0.7% of all employment, considerably below the European average of 1.5% (Ciett, 2011). However, considering the temporary staffing industry (TSI) was only legalised in 2004 this demonstrated a substantial increase, and represented one of the largest temporary staffing industries in Central and Eastern Europe (CEE) (Ciett, 2012). Since 2004, temporary staffing agencies were legally required to register for a license and submit data on an annual basis to the Ministry for Labour and Social Affairs (MLSA), although this was not necessarily completed by all agencies, and figures generated did not include these agencies operating in the informal sector. Nevertheless, synthesising available data allowed an overview of the temporary staffing industry (TSI) to be generated, with more in-depth exploration of the activities and relationships between the key actors.
7.2.1 Temporary staffing agencies

The Czech Republic, with 215 temporary staffing agencies in 2010, was ranked 15th in Europe in terms of number of agencies, although significantly behind the leader of the CEE countries, Poland with 2,998 agencies (Ciett, 2012). Temporary staffing agencies in the Czech Republic are required by law to apply for a license to operate as an agency, and subsequently placed on a register. The figure provided by the Ministry for Labour and Social Affairs (MLSA) - total 1530 agency licenses - did not necessarily represent all the active agencies in the Czech Republic; as some agencies may have no longer been operating, but as licenses last for three years this would not yet be reflected in the data. Estimates from the interviews conducted by Coe et al. (2008) suggested there were between 250-350 agencies in the Czech Republic in 2002. This was prior to legalisation of temporary agency work (TAW), and as such agencies would focus on recruitment and other options to operate, for example, employing workers who could then be loaned to client firms (Transnational Agency, Interview #65). Interviews conducted during fieldwork for this research indicated between 500-800 active agencies, with only part of these focusing solely on TAW.

‘There are about 800 agencies, of which about 400 focus mainly on temporary agency work. They employ according to various estimates, between 15,000 and 50,000 workers...full time equivalents’ (Trade Association, Interview #75).

Many agencies acted as recruiters for permanent positions as well as TAW placements, as explained by one domestic agency owner:

‘We have a lot of temporary workers but we also find long term work for people, permanent jobs, that’s what most people want anyway. Around 10-15% of the workers we deal with we find permanent jobs for. It’s the same process for us as far as finding suitable workers and checking their skills and abilities, we just get one fee for them, not a fee for every week they work there’ (Domestic Agency, Interview #71).

According to the MLSA by 2008 the turnover for temporary staffing had increased five-fold since 2002 (see Figure 7.2). Prior to legalisation in 2004 very little turnover was generated from temporary staffing for two reasons: first, the use of TAW was not officially recognised, and so data for these years is based on retrospective estimates from agencies that later registered and submitted data; second, because there was no requirement to register for a license prior to 2004 or submit data, these figures are likely to understate the size of the market. However, from 2004, a large increase in turnover was experienced, to CZK9 billion (€351million) in 2005 and CZK24 billion (€1.05 bn) in 2007. To put these figures in perspective, in 2010 Randstad achieved a turnover of €1.7bn in the German market alone. In comparison to other temporary staffing industries in Europe, the Czech Republic is still very small.
Growth in turnover for temporary staffing agencies was continuous until 2008; much like other countries in Europe the Czech Republic was affected by the financial crisis, suffering a short-term downturn, with recovery towards the end of 2009. The impact of the financial crisis for temporary staffing agencies in the Czech Republic meant that on the one hand there was a reduced demand for labour, while on the other some firms turned to agencies to find workers as a short-term option, rather than hiring workers on a permanent contract. This pattern was experienced across many European countries including the UK and Germany - and has been experienced in previous recessions (Peck and Theodore, 2007a). For a wider discussion of the events of the financial crisis on CEE, with particular emphasis on the Czech Republic, see Dale (2011).

Many temporary staffing agencies in the Czech Republic also offered permanent recruitment services, although this was a relatively small percentage of this increase compared to TAW (see Table 7.1). From this table three important findings can be highlighted. First, between 2008 and 2011 a 21% increase in the turnover from temporary staffing was experienced, compared to a 29.3% decrease for permanent recruitment. Second, turnover from temporary staffing increased by 25.6% between 2008-2010, with a significant reduction (34.4%) between 2008 and 2009, compared to 46.8% for permanent recruitment, echoing patterns elsewhere in Europe. Third, an increase of 44% in turnover for temporary staffing took place between 2010-2011, compared to 24.7% for permanent recruitment.
Table 7.1: Turnover for temporary staffing and recruitment in the Czech Republic, January to June 2008-2011

<table>
<thead>
<tr>
<th></th>
<th>Turnover in € million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover Temporary Staffing</td>
<td>83.7</td>
</tr>
<tr>
<td>Turnover Permanent Recruitment</td>
<td>10.9</td>
</tr>
</tbody>
</table>

Source: Adapted from Rezlerova (2011).

The TSI in the Czech Republic is dominated by small domestic agencies with a relatively small number of clients and workers, often locally based, and often established because of a localised need for workers:

‘This agency was set up in 2004 by myself and my brother, we knew two of the local factory owners who were always looking for workers, we have worked there ourselves when we were young. It made sense to set this up, we make some money, they get some workers. We have got a lot bigger since then but most of the people we send workers to are in this city area, we haven't got any workers in other cities at the minute. Maybe when we get bigger we can have an office in Brno too, but I don't know that area so well’ (Domestic Agency, Interview #67).

Some transnational agencies are present in the Czech Republic, although not as many as witnessed in the UK or Germany. In 1999 six of the top 20 transnational staffing agencies were present in the country, and by 2004 this had risen to eleven (Coe et al., 2005, 2008). By 2010 the situation had experienced little change – still eleven of the top ten were present in the country (based on top 20 listed in Coe et al., 2011b). The financial crisis prompted many agencies to focus on their existing markets rather than continue with expansion, and some transnational agencies felt the demand was not great enough to warrant entry into the country. However, out of the top 10 transnational agencies in Europe, seven had a presence in the Czech Republic in 2010.

The APPS (Association of Providers of Personnel Services), the Czech trade association for the TSI represented around 40% of agencies in the Czech Republic (Industry Commentator, Interview #81). Figure 7.3 displays the composition of turnover for APPS members between 2006 and 2011. This reveals that temporary staffing has remained the prime component of their turnover, as opposed to other forms of recruitment. For the first half of 2011 turnover was comprised of 92% from temporary staffing (2651 million CZK), 7% from permanent recruitment (209 million CZK), and 1% of other services (26 million CZK). These 'other services' mentioned in Figure 7.3 are summarised in Table 7.2. It may appear in this table that many agencies were engaged in a substantial amount of activities in their Czech branches beyond placing agency workers, but it is important to bear in mind the proportion these represented of their overall activity.
Table 7.2: Activities of temporary staffing agencies alongside temporary agency work in the Czech Republic

<table>
<thead>
<tr>
<th>Firm</th>
<th>Origin</th>
<th>Complete services in HR</th>
<th>Executive search</th>
<th>Outsourcing</th>
<th>Industrial Specialisation</th>
<th>HR consultancy</th>
<th>Jobs abroad</th>
<th>Multinational Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adecco</td>
<td>Switzerland</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Agentura Student</td>
<td>Czech Rep.</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brigadnici</td>
<td>Slovakia</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSA services</td>
<td>Czech Rep.</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DEKRA</td>
<td>Czech Rep.</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First Personal Help</td>
<td>Switzerland</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GIT Consult</td>
<td>USA</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grafton Recruitment</td>
<td>UK</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Hoffmann Wizard</td>
<td>Czech Republic</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Index Nolsus</td>
<td>Czech/Slovak</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lugera &amp; Makler Temps</td>
<td>Slovakia</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manpower</td>
<td>USA</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Otto Czech</td>
<td>Netherlands</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Randstad</td>
<td>Germany</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R4U</td>
<td>Czech Republic</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Synergie</td>
<td>France</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trenkwalder</td>
<td>Austria</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Adapted from APPS (2011).

A transnational agency branch manager summarised the importance of these activities for their agency:

'We offer a whole range of human resources services, we have to, it's what we do in our other countries. But, we don't do a lot of other things here, we find placements for workers and really that is our main focus. Occasionally, we are approached to provide employment solutions for a client, but this has only happened twice since I've been here [2 years]. It's important we have these services on offer but really a lot of the clients we get just want a few workers when they get busy or they are just starting out. If we got a contract with one of the big manufacturers this could change' (Transnational Agency, Interview #64).
Attempts to provide higher value added services and cater for higher margin professions were on the radar of many agencies, and are reflected in the operations seen in Tables 7.1 and 7.2. However, this remained a minor portion of their activities.

'We do a bit of outsourcing work for a few places, usually for cleaners or food providers [caterers]. We have in the past helped with human resources for a college, and a local warehouse. But, no, we help companies find temporary workers, that's what we have done from the start. There isn't the demand from the people we work with for anything more. We can do more if we were asked, and if the demand changes of course we will change too' (Transnational Agency, Interview #63).

For many transnational agencies it was not the range of services provided which ensured their success in the Czech Republic, but the development of a sufficient branch network. Expansion strategies of many transnational temporary staffing agencies remained more important in the Czech Republic than in the UK and Germany, as the industry was still in the early stages of development. The UK and Germany have a widespread branch network of many transnational (and domestic) agencies, and therefore their expansion was predominantly about enhancing economies of scale through the diversification of services and attempts to professionalise temporary staffing. In the Czech Republic, agencies were trying to establish their presence in the market, addressing labour market demands for workers, and focusing more on the higher volume, lower margin sectors, such as manufacturing. Temporary staffing agencies in the Czech Republic have experienced significant branch expansion across the country (see Table 7.3) as well as expansion into different sectors of the labour market. Many transnational temporary staffing agencies had by 2010 established more extensive branch networks beyond the capital, Prague, where the transnational agencies had previously been concentrated:

'It started in Prague. That was the logical place to start, it's the capital, it was more likely to need workers in the service sector, a lot of the administrative and financial centres for the Czech Republic are located in Prague, that's where we saw the most potential' (Transnational Agency, Interview #65).

Once a presence had been established agencies were able to gauge where demand would be sufficient to establish a further branch:

'Once we had got set up, you soon start to learn how the labour market works in a country and where the demand is. The next logical steps were to have branches in other big cities. Brno and Ostrava were the easiest, there's a lot of manufacturing there which we saw as good potential to secure clients' (Transnational Agency, Interview #64).

Many agencies also expanded geographically away from the larger cities of Prague, Brno and Ostrava, into smaller urban areas such Hradec Králové or Ústí nad Labem, areas considered 'risk-free' where there was known to be enough demand, and in many cases contracts set up in advance of establishing a branch.
We set up our branch in Plzeň because we had already set up a few contracts with local employers. One was quite a big contract for us with a factory, so it made sense for to have a base there….it's been a success - we now work with at least 20 large scale employers on a regular basis' (Domestic Agency, Interview #69).

Table 7.3: Branch locations for top temporary staffing agencies in the Czech Republic, 2005-2010

<table>
<thead>
<tr>
<th>Agency</th>
<th>Origin</th>
<th>Year of Entry</th>
<th>Number of Branches</th>
<th>Branch Locations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adecco</td>
<td>Switzerland</td>
<td>1992</td>
<td>20</td>
<td>14 cities (5 in Prague).</td>
</tr>
<tr>
<td>Trenkwalder</td>
<td>Austria</td>
<td>1993</td>
<td>6</td>
<td>13 Prague, Brno, České Budejovice, Hradec Králové, Liberec, Olomouc - Ostrava, Pardubice, Plzeň, Prague (2).</td>
</tr>
<tr>
<td>Grafton</td>
<td>UK</td>
<td>na</td>
<td>11</td>
<td>Prague, Brno, Ostrava, Hradec Králové, Jihlava, České Budejovice, Ústí nad Labem, Plzeň, Zlín, Liberec, Olomouc.</td>
</tr>
<tr>
<td>Randstad</td>
<td>Germany</td>
<td>na</td>
<td>8</td>
<td>Prague, Brno, Ostrava, Hradec Králové, Kutná Hora, Liberec, Ústí nad Labem, Mladá Boleslav.</td>
</tr>
<tr>
<td>Hays</td>
<td>UK</td>
<td>1998</td>
<td>2</td>
<td>2 Prague and Brno.</td>
</tr>
<tr>
<td>Synergie</td>
<td>France</td>
<td>1993</td>
<td>1</td>
<td>2 Prague.</td>
</tr>
<tr>
<td>Hoffman</td>
<td>Czech</td>
<td>1993</td>
<td>1</td>
<td>1 Plzeň.</td>
</tr>
<tr>
<td>Wizard</td>
<td>Republic</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vedior</td>
<td>Netherlands</td>
<td>4</td>
<td>na¹</td>
<td></td>
</tr>
<tr>
<td>Start People</td>
<td>Netherlands</td>
<td>5</td>
<td>na²</td>
<td></td>
</tr>
</tbody>
</table>

Source: Interviews, Company Websites

¹ = Vedior merged with Randstad in 2008.
² = Randstad acquired Start People in 2010.

Coe et al. (2008:1404) identify the timing modes of entry of transnational agencies in the Czech Republic by 2005. This has been updated in Table 7.4 to reflect the addition of further transnational agencies present in the market.
Table 7.4: Timing and modes of entry for transnational agencies in the Czech Republic

<table>
<thead>
<tr>
<th>Date</th>
<th>Firm and Origin</th>
<th>Mode</th>
<th>Notes</th>
<th>Current brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>United Services Group</td>
<td>Project-based</td>
<td>Governmental project between the Czechoslovak and Dutch Ministries of labour until 1994. Start is not independently owned.</td>
<td>Start</td>
</tr>
<tr>
<td>1992</td>
<td>Adia (Switzerland)</td>
<td>Greenfield</td>
<td>Pre-adia and Ecco merger in August 1996.</td>
<td>Adecco</td>
</tr>
<tr>
<td>1994</td>
<td>Grafton</td>
<td>Greenfield</td>
<td></td>
<td>Grafton</td>
</tr>
<tr>
<td>1998</td>
<td>Hays Personnel (UK)</td>
<td>Greenfield</td>
<td></td>
<td>Hays</td>
</tr>
<tr>
<td>1999</td>
<td>Manpower (US)</td>
<td>Greenfield</td>
<td></td>
<td>Manpower</td>
</tr>
<tr>
<td>1999</td>
<td>TMP Worldwide (US)</td>
<td>Acquisition</td>
<td>100% of Gem Personell Select acquired before Hudson spun off from TMP worldwide in 2002</td>
<td>Hudson</td>
</tr>
<tr>
<td>1999</td>
<td>Vedior (Netherlands)</td>
<td>Acquisition</td>
<td>Select acquired 80% of AYS before select was acquired by Vedior in November 1999. Now 100% owned.</td>
<td>Vedior</td>
</tr>
<tr>
<td>2002</td>
<td>Adecco (Switzerland)</td>
<td>Acquisition</td>
<td>Acquired 10% of Job pilot (Germany) with a presence in Czech Republic.</td>
<td>Job Pilot</td>
</tr>
<tr>
<td>2004</td>
<td>Monster.com (US)</td>
<td>Acquisition</td>
<td>Acquired 100% of Job Pilot (owned by Adecco) including Czech Presence</td>
<td>Job Pilot</td>
</tr>
<tr>
<td>2004</td>
<td>Staff service (Japan)</td>
<td>Acquisition</td>
<td>Undisclosed investment in Axios s.r.o.</td>
<td>Axios</td>
</tr>
<tr>
<td>2005</td>
<td>Trenkwalder (Austria)</td>
<td>Acquisition</td>
<td>Acquired 2/3 of KAPPA people.</td>
<td>Trenkwalder</td>
</tr>
<tr>
<td>2008</td>
<td>Trenkwalder (Austria)</td>
<td>Merger</td>
<td>Merger with STEER an engineering specialist.</td>
<td>Trenkwalder</td>
</tr>
<tr>
<td>2008</td>
<td>Randstad (Germany)</td>
<td>Merger</td>
<td>Merger of Vedior and Randstad including Czech Presence.</td>
<td>Randstad</td>
</tr>
<tr>
<td>2010</td>
<td>Randstad (Germany)</td>
<td>Acquisition</td>
<td>Randstad acquired Start People Staffing.</td>
<td>Randstad</td>
</tr>
</tbody>
</table>


These four ideal-types of market entry for CEE countries were: *anticipatory greenfield*, where agencies entered the market before the practice of using TAWs was legalised, a method of shaping the market that showed potential for growth; *responsive greenfield*, where agencies entered the market as they saw the presence of others as an indication of a good potential market for investment; *anticipatory acquisition*, where agencies entered the market relatively early through acquiring small domestic firms, and develop the
potential to shape its future developments; and finally responsive acquisition, where agencies witnessed the early development of the TSI and began to acquire more established national agencies in order to enter the market (Coe et al., 2008:1405). The acquisitions were seen by some agencies as a mode of ‘buying’ expertise in the Czech market (Coe et al, 2008). Transnational agencies were trying to standardise the TSI, rolling out their mode of working across the Czech Republic. However, there were a series of barriers which have prevented this from happening to the extent that has been possible in other markets: demand was often insufficient due to the financial crisis and economic downturn; inadequate knowledge of the market; and a hostility to TAW as a form of employment.

‘There has been a definitely fall in the amount of companies that need temporary workers, we've kept many of our usual companies but a lot have said that they just can't afford any extra workers at the minute and instead just used the workers they already employed. It's been difficult and I know there are quite a few agencies that couldn't manage and have closed. In some ways that means there will be less competition when the market picks up again but it's still not nice to see people go out of business’ (Domestic Agency, Interview #73).

‘We're looking at other locations, but really don't know enough about the dynamics of some of the other places yet. We now have branches in Prague and Brno. It's possible we will move into Plzen and Ostrava, they are two cities that have seen quite a bit of development but we need to be sure that there will be enough demand. We have people working on exploring the options, but these things will take a while, particularly while the market isn't stable’ (Transnational Agency, Interview #63).

Despite the presence of some of the larger transnational agencies the majority of the market was still made up of smaller domestic agencies - many of which are represented by the Association of Employment Agencies (APA), established in 2001. Features of the APA members are outlined in Table 7.5, from which several key points about the characteristics of the domestic agencies in the Czech Republic can be understood. First, many of these agencies were established before TAW work was legalised; prior to 2004 these agencies operated but with no legislation guiding their actions. Second, of the 15 agencies only six had branches in Prague. This is was attributed to the low unemployment levels experienced in the city. Agencies preferred to locate where there was a larger labour pool in search of work (Transnational Agency, Interview #65).
Table 7.5: Characteristics of temporary staffing agency members of APA

<table>
<thead>
<tr>
<th>Firm</th>
<th>Origin</th>
<th>Date Established</th>
<th>Branch Locations</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Centrum</td>
<td>CR</td>
<td>1990</td>
<td>Ostrava-Poruba</td>
<td>Works with clients mainly in the Ostrava region. Focuses on providing temporary work for students of universities and secondary schools, as well as non-registered unemployed registered at employment office, pensioners and the disabled. Also a member of the Chamber of Commerce for the Czech Republic.</td>
</tr>
<tr>
<td>Barton and Partners</td>
<td>CR</td>
<td>1993</td>
<td>Olomouc</td>
<td>Provide comprehensive services in areas of facility management, trading, storage and administration.</td>
</tr>
<tr>
<td>Agentura Student</td>
<td>CR</td>
<td>1994</td>
<td>Prague</td>
<td>Focus on TAW for students from colleges and universities. One of the largest providers in the Prague region. Also a member of APPS. Around 4,000 workers and temporary workers per year.</td>
</tr>
<tr>
<td>Job Spectrum</td>
<td>CR</td>
<td>1995</td>
<td>Chomutov</td>
<td>Provide mainly temporary agency work in the Chomutov region.</td>
</tr>
<tr>
<td>JobStudent Agency</td>
<td>CR</td>
<td>1996</td>
<td>Liberec</td>
<td>Provide mainly temporary agency work in the Liberec region.</td>
</tr>
<tr>
<td>Agency work Gadasová</td>
<td>CR</td>
<td>1998</td>
<td>Usti nad Labem</td>
<td>Provide mainly temporary agency work in the Usti nad Labem region.</td>
</tr>
<tr>
<td>AZ Service</td>
<td>CR</td>
<td>1998</td>
<td>Prague, Plzen</td>
<td>Mainly provide services for students from colleges, universities and schools. Also specialise in finding work for the unemployed, pensioners or those with disabilities.</td>
</tr>
<tr>
<td>United Credit</td>
<td>CR</td>
<td>1999</td>
<td>Prague, Kadan.</td>
<td>Claim to be one of the first agencies to receive a license from the MLSA.</td>
</tr>
<tr>
<td>Dosa</td>
<td>CR</td>
<td>1999</td>
<td>Prague (2)</td>
<td>Provide temporary agency work as well as outsourcing.</td>
</tr>
<tr>
<td>Unijob</td>
<td>CR</td>
<td>2000</td>
<td>Prague</td>
<td>Established as a company to focus primarily on providing temporary agency work for students in the area of the Czech Agricultural University. Now expanded to provide services for other areas of Prague, as well as for the long term unemployed and retirees. 500 people active on the register in 2009.</td>
</tr>
<tr>
<td>DP Work</td>
<td>CR</td>
<td>2002</td>
<td>Kladno, Smetana, Bakov nad Jizerou</td>
<td>Comprehensive staffing services - temporary staffing, recruitment, outsourcing, HR consulting and services, such as psychodiagnostic screening. Main clients are manufacturers in automotive industry, engineering and other manufacturing sectors. Expanding its network into Slovak Republic, Poland, Ukraine and Vietnam.</td>
</tr>
<tr>
<td>SODAT</td>
<td>CR</td>
<td>2002</td>
<td>Brno (2)</td>
<td>Provide mainly temporary agency work within the IT industry.</td>
</tr>
<tr>
<td>STEP Consulting</td>
<td>CR</td>
<td>2002</td>
<td>Luniov, Plzeň</td>
<td>Human resources and services with temporary agency work as an aspect.</td>
</tr>
<tr>
<td>OSSPO</td>
<td>CR</td>
<td>2008</td>
<td>Prague (2)</td>
<td>Providing temporary agency work in construction, engineering and automotive industries.</td>
</tr>
<tr>
<td>One Deliver Group</td>
<td>CR</td>
<td>2009</td>
<td>Olomouc, Kunovice</td>
<td>Established following a decision to start and develop three independent brands: Deliver One group (recruitment and selection of employees in CR), AVEC trade (delivery and performance of work for manufacturing companies in the CR and Slovakia) and Gofok (recruitment and selection of staff, HR audits and training in Slovakia).</td>
</tr>
</tbody>
</table>

Source: APA Website, Company Websites and Interviews.
While smaller domestic temporary staffing agencies greatly outnumbered the transnational agencies, examining the distribution of placements reveals that the transnational agencies – termed by the MLSA as foreign firms – represented a significant proportion of TAW placements (see Figure 7.4).

**Figure 7.4: Temporary agency worker placements in the Czech Republic, 2006-2009**

![Graph showing temporary agency worker placements in the Czech Republic, 2006-2009](image)

Source: ČSÚ (2011).

From Figure 7.4 several key trends can be identified: first, placements through foreign were expanding within the Czech TSI until mid 2008; second, temporary agency worker placements experienced a decline of roughly a third between 2008-2009, but the decline for foreign firms was more substantial (around two thirds); and third, some increase was experienced in 2009 but foreign firms only represented 56% of all placements.

The Czech TSI remains divided into transnational agencies that sought to secure their position in an emerging market, and the local domestic agencies who are able to exploit their local knowledge to maintain a presence in the labour market. The crucial commodity these agencies held in common were the workers themselves, to which the next section of this chapter now turns.

### 7.2.2 Temporary Staffing workers

Since legalisation in 2004, a dramatic increase in the number of temporary agency workers has taken place - between 2002 and 2008 the number increased more than fivefold (ČSÚ, 2011) (see Figure 7.5).
The figures from 2002-2004 are estimates based on retrospective calculations from agencies who subsequently were required to register after 2004. Figure 7.5 displays a clear increase in the number of temporary agency workers, reaching a peak in 2008 at 70,000. To put this in perspective, this amount was reached by the UK and Germany in the late 1980s. A sharp decline was experienced in 2009, with approximately 15,000 temporary agency workers less than the previous year. However, growth soon resumed, with 70,000 reached again by 2010, displaying a very strong ability to respond to recessionary conditions. Although the Czech TSI experienced significant increases from 2004 to 2008, it remained a relatively small market for the industry in comparison to some other areas of Europe.

The sectoral structure of the Czech labour market remained similar to elsewhere in CEE, but different from other regions in Europe (Cazes and Nešporová, 2004). The Czech economy and labour market were characterised by an above average (EU) proportion of industry and manufacturing, combined with a below average proportion of services (Keune, 2003). Despite an industrial structure typical of centrally planned economies, the Czech Republic has developed a private sector virtually from scratch, and radically transformed in response to changes in the geographical and sectoral structure of external trade. The Czech Republic witnessed a growth of the service sector, which expanded at a faster rate than manufacturing during the 1990s (Halá, 2008). This was prompted by the reduction in industrial production due to the recession, combined with increased...
competition and market oriented reforms designed to dissolve the large industrial conglomerates that echoed the organisational structures of the Soviet era (Halá, 2008). The sectoral composition of the temporary agency workforce showed a continued dominance of manufacturing, given this is the dominant sector in the wider economy (Arnold et al., 2011) (see Figure 7.6).

Figure 7.6: Temporary agency work sector distribution in the Czech Republic, 2007-2010

![Figure 7.6: Temporary agency work sector distribution in the Czech Republic, 2007-2010](image)

Source: Ciett (2007a; 2010b; 2011).

The Czech Republic remains highly export oriented, with more than 80% of its manufactured products going for export – mostly to Germany (Švihliková, 2011). By 2010 manufacturing represented approximately 62% of TAW, followed by 18% in services, 9% in construction and 5% in administration. The composition of temporary agency workers differed slightly to the wider labour market, where the service sector represented the major component - 60% of GDP - while manufacturing and agriculture represents 37% and 2% of GDP respectively (ČSÚ, 2011). Within manufacturing it is possible to explore the share of workers in different areas of the sector, as seen in Figure 7.7. Motor vehicle manufacturing experienced increased growth until mid-2010 when it suffered a sharp decline, likely to have been caused by a fall in global demand for vehicles as a response to the financial crisis and the halting of car production in many locations. Industry production contracted by 25.7% in 2008 and Czech Republic is highly vulnerable to external economic developments as it has a high export-GDP ratio - almost 77% in 2008 (Ciett, 2010a).
The car manufacturing industry was one of the worst hit in 2008-2009 due to the financial crisis, which contributed to the decline in the number of TAW in 2009. Of the larger car manufacturers, Hyundai had 150 agency employees (out of 1,600), and TPCA (Toyota, Peugeot, Citroen) had 170 agency employees (out of 3,000) in 2010 (Industry Commentator, Interview #80).

So important was the car industry that some agencies have chosen to establish themselves by the location of a car production factory, as one agency close to a factory in Prague described:

'We set up in 2006 after I was in contact with one of the managers of a factory, we talked over the kind of work needs they would have in terms of numbers and types of jobs. We talked about long-term plans to keep using the workers we would find and decided it would be worth setting the agency up. Of course they don't always need workers from us, sometimes they have lower orders and so don't need the extra help. But now we have other people that use our workers too. People in this area know that we work with various places and so if they want to work there they might ask us to help. Many places don't have many new permanent jobs now, they prefer to use short-term options, it's safer for their profits for now' (Domestic Agency, Interview #70).

While both transnational and domestic agencies confirmed the dominance of manufacturing, there were some differences in their exact proportion. Domestic agencies indicated that they tended to place many more temporary agency workers in manufacturing, particularly in the areas outside of Prague, while transnational agencies placed fewer workers in manufacturing, and were much more focused in the service
sector. This could reflect the expertise of these agencies, as many of the markets they operate in, such as the UK or USA, have a dominance of service sector for TAW. Alternatively, it could reflect where their offices are based, as many transnational agencies have more (or larger) offices based in Prague, which is less of a manufacturing region, and therefore would require less workers in this sector. Agencies expected that in the future they would move into other areas of the labour market as they felt a threshold had been reached with regard to the manufacturing sector.

The dominance of manufacturing had an impact on the gender distribution of temporary agency workers too: 65% male, 35% female in 2009 (Ciett, 2011). In addition, the age distribution displayed a strong presence of the 26-30 age group representing 34% of the temporary agency workforce (see Figure 7.8).

**Figure 7.8: Age distribution of the temporary agency workforce in the Czech Republic, 2010**

Source: Ciett (2011).

The average length of contract in months increased from 1.6 in 2008 to 2.1 in 2011 (Rezlerova, 2011). Ciett (2010a) indicated the average duration of assignments was around three months compared to seven months in Slovenia suggesting that agency workers were still being used for short-term labour needs.

'We often have workers in places for about 2-4 months, not really much longer than this. If it is a manufacturing place, they get a big order or something new, they will get some temporary workers to help with this. If it is a company that is holding an event and needs some help to organise and run the event, then they get some temporary workers. You see the pattern. It is for a fast solution that clients get temporary workers. Generally our clients don’t expect to keep temporary workers for that long' (Domestic Agency, Interview #68).

While there appear to be differences in the operations of domestic and transnational agencies there was a consensus that regulation was a key factor in the development of the TSI, and it is to this issue the thesis will now turn.
7.3 Regulation of temporary staffing in the Czech Republic

The Czech labour market has developed into a more flexible form than was present in the socialist era, although important rigidities, concerning dismissals procedures, the length of notice period and the generosity of severance payment, remain in place (Straková, 2007). These rigidities contribute to the high incidence of long-term unemployment and the prevalence of informal work which circumvent restrictions on employment contracts (Kowalewiski and Rybinski, 2011). Legislation introduced in 2004 allowed the Czech Republic to exit the ‘regulatory vacuum’ with regards to temporary staffing (Ahlberg, 2008b). In 2004 the New Employment Act (Act No. 435/2004) enabled temporary staffing agencies to operate in the Czech Republic, together with an amendment to the labour code to allow the use of temporary agency work (TAW) contracts (Act. No. 65/1965). While the 2004 legislation allowed the operation of the temporary staffing industry (TSI) in the Czech Republic, 2011. This section explains the development and significance of regulation for the Czech Republic TSI.

7.3.1 Labour Market Regulation in the Czech Republic

Labour laws in the Czech Republic were inherited from the socialist era characterised by strong state control over employment (Kowalewiski and Rybinski, 2011). In the 1980s under a centrally planned economic system, workers in the Czech Republic experienced a fairly high degree of employment protection. However, structural transformation post-1989 and market-oriented reforms led to substantial reductions in workers’ protection (Cazes, 2002; Allen and Overy, 2009). The second half of the 1990s saw discussions in government develop which favoured the increased use of fixed-term, part-time or other flexible forms. Furthermore the law specified the conditions under which workers could be hired out on a temporary basis, designed to encourage the use of more flexible working practices. At the beginning of the 2000s, the Czech Republic's legislation remained rigid, particularly as notice was required for all workers two months prior to employment termination, and severance payments were required equivalent to three months salary. The picture was somewhat different for the TSI, as legislation remained much weaker in CEE countries than in Western Europe, with no restrictions on where agency workers could be used in the labour market. After EU accession opinion began to take hold across government that a more flexible, liberal labour market represented a precondition for a prospering economy (Kadavá and Hála, 2005).

The Czech Republic government was warned by the IMF in 2002 that the labour markets of CEE were slowing down and that flexible restructuring was needed to avoid high unemployment rates which would place a strain on the government budgets (Cazes and Nesporova, 2004). Most countries had taken on board the advice of the IMF regarding the
flexibilising of labour markets across Central and Eastern Europe. However, in the Czech Republic changes in the use of fixed term contracts both fostered and restricted flexibility: first, the possibility of using this kind of employment was widened to all groups in the labour market after previously being restructured; second, employee protection was enhanced by rules preventing repeated conclusion of these contracts with the same employee, i.e. only one fixed term contract was allowed (Merková, 2009). As part of a transition (Lane, 2007), a general reworking of the logic underpinning the regulation of labour markets took place, and this was extended by accession to the EU.

The Employment Act of 2004 provided the legal basis for designing and implementing labour market policy. The Czech Republic was confronted with a paradoxical phenomenon, that the growth of active employment policy was accompanied by a growth in unemployment (EC, 2008). Active labour market policies concentrated on combating long-term unemployment and re-integrating the unemployed into the labour market. Across the Czech Republic there are 77 labour offices, responsible for 250 employment centres. The Ministry of Labour and Social Affairs (MLSA) was charged with developing plans for job seekers, providing assistance with organising training and retraining programmes as well as facilitating cross-border co-operation, and the development of special programmes to improve worker adaptability. The 2004 Act provided for closer co-operation between job seekers and Public Employment Services (PES) in the process of job seeker placement.

‘Employment agencies are engaged in the direct placement into jobs, serve as advisory and information centres and “lend” their employees to other employers. The new Employment Act should ensure that a person who is an employee of an employment agency and works for another firm has the same employment conditions as other employees of the relevant firm, working hours, wage etc’ (Ministry for Labour and Social Affairs website, www.mpsv.cz, Accessed: 10/03/10).

Prior to the act, labour market flexibility had mainly been generated through dismissal regulation, and the idea that self-employment was a source of dynamism for the labour market (Keune, 2003). The notion of flexicurity only appeared in discussions in the Czech Republic from 2008 when it was mentioned in the national reform programme as a means to improve the efficiency of the labour market (EC, 2008). No specific reference was made to temporary staffing. Economic transition and deregulation of the labour market increased the number of employment contracts that were not full time, resulting in a wider use of fixed term contracts (but with limits on their consecutive use), but the respective share still remained below the EU average. Recent changes in the Labour code (2006) and the reform of social security (2008) included some provisions that were important for flexicurity, including provisions for vocational training, reduced tax burdens on employers.
and encouragement of job creation. This made the labour market more conducive for the use of temporary agency workers. But while more flexible working arrangements like TAW were emerging they were not yet well rooted practices.

7.3.2 Changing regulations for temporary staffing in the Czech Republic

The Czech Republic ratified the ILO Convention 181 in 2000 recognising the potential temporary agency work (TAW) had to increase labour market flexibility. The new Employment Act (No. 435/2004) of 1 October 2004 produced an amendment to the Labour code allowing the operation of temporary staffing agencies. Until that point, there had been a legislative vacuum in terms of TAW in the Czech Republic, whereby the concept of assigning agency workers to user enterprises did not exist legally (Ahlberg, 2008b: 140). Employers could temporarily assign their own employees to another employer under the Labour Code, but the conditions under which this could occur were not clear. However, this had not stopped the development of agencies in the Czech Republic, whereby they had either operated illegally or hired workers on a permanent contract and loan them to other firms.

In legal terms, TAW was regulated via the Labour Code and the Employment Act. According to the 2004 legislation temporary staffing agencies were required to register with the Ministry of Labour and Social Affairs (MLSA). Conditions for establishing an agency were outlined in the Act, and to obtain a license the applicant was required to be at least 23 years old, be professionally competent and be a resident of the Czech Republic. Competency was defined as a university education and at least two years experience in employment mediation, or a secondary education with at least five years professional experience. The license could be issued for a maximum of three years (and could be renewed an unlimited number of times). Licenses could be revoked if violations of the Code were uncovered, or if it was revealed that the person the licence was issued to did not fulfil the requirements. In reality many agencies were not inspected, and those that had their licenses revoked were often able to set up another agency under a different name.

'It happens. An agency might get shut down because it turns out the owner [and license holder] doesn't have the right qualifications, it's fine. He can just set one up in another name for a few thousand CZK if he has enough contacts for workers he'll soon make that money back. I don't think the MLSA checks the background of many applicants in detail, if they have a certificate or some piece of paper that says they have enough experience that's good enough. We've never been inspected, we have our license, we submit our data but that's it, no contact with the MLSA at all' (Domestic Agency. Interview #69).
There were three categories of price for these licenses, according to the location of the owner.

a) a permit to broker employment in the Czech Republic, 5,000 CZK (€200);

b) a permit to broker employment of foreigners in the Czech Republic 10,000 CZK (€400);

c) a permit to broker employment abroad. 10,000 CZK (€400).

This requirement for an agency license is a rarity in the EU, as was the requirement to pay for renewal every three years. In other countries where paid permits are required such as Poland or Slovakia, only a one off payment is required, equal to 1,200 CZK (€50) or 3000 CZK (€120) respectively. Agencies were required to submit data on the number of vacancies and placements on the 31st of January each year, but in reality data is rarely submitted. While the failure to submit this data is stated to be punished with a CZK 500,000 fine, only around 2/3 of agencies submit the data and most do not get fined.

‘Agencies are required to give information on how many workers they have had, how much money they make and so on. Because some agencies are literally one man with a group of people, the records these kind of agencies have are usually very poor so they don't give the information. Others just don't give the information. I know of one agency that was fined, it was around 20,000 CZK fine’ (Domestic Agency, Interview #69).

The labour code stipulates the conditions for the employment protection of temporary agency workers, who should receive equal treatment with the users’ permanent employees. This brings the regulations in line with the requirements of the ILO C181 and the European Agency Workers Directive (AWD). The labour code specifically identifies ‘agency employment', not recognised in previous legislation. It was established that equal treatment of agency workers would be the joint responsibility of the agency and the client. A contract was required to establish where the agency agreed to offer its employee to carry out temporary work, the employee agreed to carry out the work, and the client firm was required to ensure the pay and working conditions were not inferior to permanent employees carrying out equivalent work. Therefore, agency workers in the Czech Republic should in theory have received equal treatment to permanent workers. However:

‘Often workers aren’t paid what their contract says, or sometimes these aspects were not in the contract. Obviously that is illegal but often these things are not checked. Employers want temporary workers because they are cheap, if they wanted to pay the same as a permanent worker they would hire one. Yes, they could save on social insurance and things like this, really they just want quick labour that is cheap. Temporary workers that are involved with an agency that does not have a license, this happens even more, they might not even have a proper contract, and so paid even less’ (Industry Commentator, Interview #80).
Discussion over comparable conditions echoed the conversations in the UK regarding the 'comparable conditions' stipulated to guide the level of wages for TAW (BIS, 2010a).

'It's difficult to define what is an equal worker to sort out equal pay. Many companies have agency workers to do a job that is not carried out by their employees, or they have them to start something new, so again there is no equal worker' (Domestic Agency, Interview #72).

Much like the UK situation with the Agency Worker Regulations, discussion surrounded how to determine what was a comparable worker, as the Employment Act did not define one, meaning various legal interpretations were possible. The Czech regulation was in keeping with European requirements, especially with respect to equal treatment, at least on paper. The responsibility for controlling the system and monitoring compliance was shared by the labour offices (under the control of the state labour inspection office), and there was no specific TAW inspectorate as in the UK. The state labour inspection office (SÚIP) had the power to give fines of up to CZK 2 million (€77,800). However, there were no clearly defined procedures for conducting checks of agencies, or the places in which these workers were placed. There were no restrictions on the sectors in which temporary agency workers could be used, nor were there restrictions on the number of renewals or prolongations of TAW contracts. However, the maximum contract duration was one year (OECD, 2008). While there were no stipulations that temporary agency workers could not be used to cover striking workers, in many organisations collective agreements would exist which would stipulate that they could not - so in practice temporary agency workers were not used to cover strikes. In addition, individual collective agreements agreed with trade unions and employers could include details to restrict the level of TAW in particular organisations. For example, the Trade Union of Workers in Woodworking, Industry, Forestry and Water management (OS DLV), developed a collective agreement in 2007 which stipulated restrictions on numbers of temporary agency workers in a number of firms (Hála, 2008). Further restrictions on the use of TAW in particular sectors could theoretically be temporarily put in place by the government, but this had not yet occurred on the basis that the government was still trying to reduce unemployment (OECD, 2008).

Unlike in Germany, collective agreements did not play a major role in the TSI in the Czech Republic, where there was a much greater emphasis on the role of self-regulation. This was best evidenced by the establishment of the trade association for the TSI, the Association of Providers of Personnel Service (APPS), founded by the four largest temporary staffing agencies in 2002. By 2010 the organisation had 24 members, made up of temporary staffing agencies and consulting firms (detailed in Table 7.4). The association stated that its primary goal was to reduce and eliminate the use of unlawful practices in the Czech TSI, although its wider goal is to try and create conditions for the
successful development of a stable labour market in the Czech Republic. The APPS members are not representative of all agencies in the Czech Republic, as the association has quite strict rules for membership regarding turnover. Membership is predominantly comprised of the larger transnational agencies. The association undertakes some monitoring activities - predominantly checking members were adhering to equal pay and benefit requirements for their workers on a periodic basis (Industry Commentator, Interview #80). Members are required to adhere to a Code of Practice, similar to that outlined by Eurociett, the European trade association for the TSI, or the REC in the UK. APPS is also an official partner of the Ministry for Labour and Social Affairs (MLSA). This meant the MLSA and APPS were part of a working group which had the ability to comment on changes to employment reforms and regulations, but little other interaction occurred.

The second trade association for the Czech TSI is the Association of Employment Agencies (APA). It represents a different segment of the market - predominantly smaller domestic Czech agencies. APA was established initially as a platform for those with an interest in temporary staffing as a platform to share experiences, expertise and insight into the labour market. When amendments were prepared for the 2004 Employment Act, APA developed as an organisation and presented its observations on the labour market to the MLSA. In 2004, APA provided its members with consulting services in order to meet the new legislative conditions and deal with increased administration costs. In 2007 APA became a member of APPS, as this organisation appeared to be more involved with addressing legislative conditions. APA continued to contribute as a member of APPS until February 2011 when it became independent again, on the grounds that APPS was not representative of the interests of all agencies. The composition of the members of both APPS and APA represent the breadth and diversity of the TSI in the Czech Republic. The two organisations continue to coordinate their efforts in responding to legislative changes or labour market conditions and pressing the importance of reducing barriers to expansion of the TSI.

In 2011 the MLSA sought to raise the conditions for obtaining a license, including increased fees and requirements for the person requesting the license. Furthermore, as of 2011, temporary staffing agencies were required to have insurance against bankruptcy of users of TAW, in order to ensure the wages of temporary agency workers would be covered. This was accompanied by further regulation which stipulated that workers from outside the EU would no longer be able to undertake TAW in the Czech Republic. These measures were taken by the MLSA to try and reduce the impact of informal ‘rogue’ agencies in the Czech Republic, ensure that TAWs had some level of security, and that foreign workers would not be exploited. However, these measures have been seen as
quite controversial by many actors in the Czech Republic and have stirred significant debate. In an emerging market, regulation played a key role in the development and growth of the Czech TSI, yet this was just one component, as discussed in the following section.

### 7.4 A Czech variety of temporary staffing industry

Reforms of labour regulations were a key driver of growth for the temporary staffing industry (TSI) in the Czech Republic, providing a legal framework for the use of temporary agency workers, and providing recognition of the industry. However, beyond regulation other different actors in the Czech TSI were also instrumental in shaping the form and features of the industry. The emergence and development of regulations for the TSI in the Czech Republic occurred as a result of efforts from a range of actors, as explored in the following sections. Temporary staffing agencies argued that further reform was needed to regulation of the TSI in the form of fewer restrictions on establishing an agency, and in terms of the length of use for agency workers:

‘Agency workers aren’t allowed to be in the same place for more than 1 year. This limits us, there are some clients that would like long term workers from us, it’s a more flexible option for them, but we can only have a contract with them for a maximum of 12 months because of the Labour Code’ (Transnational Agency, Interview #66).

Trade unions on the other hand strongly defended the restriction on the length of contract:

‘No, definitely, we need restriction on how long agency workers can have a job. If there was no limit, they could become a threat to our members [referring to permanent workers]’ (Trade Union, Interview #74).

More recent developments in the Czech Republic took place in the context of the enlargement of the EU (Batt, 2007). The EU represented a key conduit through which a neoliberal model has been institutionalised throughout Europe, both West and East (Hardy, 2010). It played an important role institutionalising the call for flexibility, and essentially the opening of access for the TSI. As part of the EU accession process, the Czech Republic adopted many of the objectives of the EU, including a call for more flexible types of employment. This required changing its institutional setting to make the conditions in line with EU recommendations (Eriksson et al., 2007). Accession into the EU led to increased pressures for domestic industries through the opening of borders, and trade liberalisation through the dismantling of trade barriers. Consequently imports to the country increased, and the country would become open to the forces of globalisation to a greater extent (Eriksson et al., 2007). In addition, the European Agency Workers Directive
made further requirements regarding the treatment of agency workers. Despite such pressures from the EU, the Czech TSI developed its own distinct formation.

The following sections will explore the role of the TSI and its relationships with other actors in the labour market, focusing on the development of agencies as educational portals, the responses of trade unions to TAW, and the position of TAW alongside other forms of employment in the Czech Republic, and the implications this has had for the TSI.

7.4.1 The labour market and welfare in the Czech Republic

In the 1990s the Czech labour market experienced high structural unemployment, high long-term unemployment, low mobility of the labour force, questionable motivation of the labour force and in some cases abuse of the labour force (Pickles and Smith, 1998). The country was affected by the similar skill shortage seen in many countries in Europe, where there existed a mismatch between qualifications, training and the requirements of the labour market; in the Czech Republic this was further exacerbated by the weak availability of further vocational education (Straková, 2007). In 2009, it was reported that more than a fifth (22%) of employers in the Czech Republic found it difficult to find qualified employees, particularly sales representatives, drivers, doctors, IT workers, nurses, teachers and technicians (Manpower, 2009). Failure to fill these positions was attributed to lack of experience, candidate's lack of technical skills, qualifications or education, in addition to a poor attitude to work (iHNed, 2011a).

While skill shortages were not a phenomenon unique to the Czech Republic, the historic context for this country remained different to others discussed in this thesis. The legacy of the transition to a market economy meant the demand for high skilled workers decreased as the economy moved towards service sector industries as state owned industries were privatised, and the large number of state run workplaces for low skilled workers were reduced (Eriksson et al., 2007). By 2009 the Czech Republic was in a better position than its other CEE neighbours; workers in the Czech Republic were perceived by employers to have a high level of education, similar to that of Germany or Switzerland (OECD, 2010b). The Czech labour force had a large proportion of highly educated workers, with 9.2% with a university degree, and 38.1% skilled blue collar workers compared to Slovakia which had only 6.8% and 19.7% respectively (OECD, 2010a). The government welcomed the presence of TSI, as a way of trying to assist people into employment.

'We now have some links between private sector agencies and our labour offices which help the unemployed. Some of the larger agencies provide different forms of training for different professions and we are keen to consider ways in which we could work together to help reduce unemployment in the area [Prague]' (Government Representative, Interview #60).
This received criticism from employers and trade unions, on the basis that the government was not supporting employers as a way to maintain employment levels in the long term, but was more concerned with short-term solutions, as explained by one trade union representative:

‘The labour offices see agencies as a quick way to move unemployed people out of their way. They are not good at finding work for people anyway, if they can set up a partnership they can blame the agencies then. Really they should be establishing effective training for the Czech people, ensure there are the right courses for the people to work, and then there would be a better workforce, and no need for these agencies’ (Trade union, Interview #77).

The Czech welfare state does not provide as much in terms of unemployment benefit as the UK or Germany, although there are several different aspects to the Czech social security system. The system consists of state unemployment benefit based on the principle of unemployment insurance, which is mandatory for all those in employment. Under the Employment Act 435/2004 provision of unemployment benefit does not depend on whether the loss of employment was voluntary or not. A worker has a right to unemployment benefit if he/she had (a) been employed for a period of at least 12 months during the 3 years prior to the register for job seeking (b) applied for the unemployment benefit at a respective labour office while being registered as a job seeker, and was (c) not in receipt of a retirement pension. The benefit is stopped if the worker refuses a job or training offered through a Labour Office. This benefit lasts for five months (for those up to age 50), eight months (for those from 50-55), and 11 months (for those over the age of 55 years). However, benefits continued to be paid during periods of training organised through a Labour office (Kalužná, 2008).

There has yet to be the cooperation experienced in the UK or Germany that allowed job seekers to use temporary staffing agencies in the same way they did public employment services. The public employment service in the Czech Republic was established in 1991 as a response to the labour market adjustments that accompanied the transition (Koddo, 2009). The Czech government invested heavily in strategies such as job counselling, exchange of information, training, as well as more direct activities such as subsidising employers and creating jobs in the public sector (Boeri and Burda, 1996). However, there has been very little communication between the Labour offices and temporary staffing agencies:

‘Some positions advertised by agencies are available through a few of the employment offices, and if we have a real problem trying to find work for people then we have a list of agencies that we recommend trying in some areas. If there are a large number of workers needed for a company and they are working with an agency to get the workers, sometimes they let us know’ (Government Representative, Interview #60).
The minimum wage was set at a low level and did not keep pace with levels of inflation, taking a more liberal free market approach than a social protectionist one. In 1995, the minimum wage was only 27% of the average wage in industry in the Czech Republic (OECD, 1996a; Gitter and Scheuer, 1996). Many workers would have been likely to accept a low paid job as the unemployment benefits were lower (24% of average industry wage) and could only be claimed for 6 months, significantly shorter than elsewhere in Western Europe and CEE (Godfrey, 1995). Low minimum wages, low levels of unemployment benefits and the short duration of benefits made it more urgent for unemployed people to search for work. Many simply took low-wage jobs, which kept the overall unemployment rate down. Kostecki and Fehérváry (1996) argued that business services, such as temporary staffing agencies provided a key force for restructuring in transition economies and were a crucial element of the successful implementation of market reforms (see also Michalak, 1999):

‘Because the unemployment benefits were limited, the option of temporary agency work was potentially more attractive’ (Industry Commentator, Interview #80).

An alternative form of employment, a feature that was more prominent in the Czech Republic than in either the UK or German TSI, was the informal sector (Rutkowski, 2006). There are enormous difficulties in defining and measuring work in the informal sector, but comparative studies argue that it is around 18.4% of GDP for the Czech Republic in 2000 (Schneider, 2002). Estimates from interviewees ranged between 10-40% of work placements in their local area. Many agencies recognised there was an issue with the presence of some 'less than reputable agencies', but argued that they are easily spotted:

‘One thing that is important is the structure of prices. If an agency offers a price that is very low, then the agency will either pay employees only the minimum wage and so are breaking the law because it fails to comply with conditions required for temporary workers. This suggests that the agency makes money through robbing people. This is totally unacceptable. Also you see agencies that charge the worker for finding them work as well as charging the place they send them to' (Domestic Agency, Interview #71).

Transnational and domestic agencies, trade unions and trade associations all agreed that it was necessary to fight against dubious agencies which represented a threat to the 'legitimate' temporary staffing industry.

‘The greatest extent of fraud experienced in Czech Republic was in 2008, when a peak demand for foreign workers and some workers were found to be under poor conditions. Prices which these pseudo-agencies had charged different factories for the shipment of workers went through the roof. It was an utterly ruthless business' (Domestic Agency, Interview #69).

However, there was little attempt to address this by government, despite recognising that greater inspection and monitoring was required. The solution, according to government
departments, agencies and trade unions, was increased and more frequent inspection and monitoring:

‘What matters most is consistent and rigorous inspection by labour offices, tax offices and other bodies, it is the only way these rogue agencies are going to be found and stopped’ (Trade Union, Interview #77).

There were reports of unfair practices related to racial discrimination of Roma workers by an informal Czech agency. A reporter from a Czech TV station undertook a covert operation with a hidden camera uncovering a Czech agency worker who was refused work after it was revealed they were of Roma ethnicity. Once the issue was raised, the agency was investigated by the Czech Labour office inspection authority (Romea, 2011). This demonstrates that the labour inspectorate was not efficient enough to address this issue of informal agencies. They reacted to complaints but did not undertake consistent or systematic monitoring of agencies.

7.4.2 Resistance to further re-regulation

In November 2011, a decision was announced by the MLSA that from 2012 temporary staffing agencies in the Czech republic would no longer be able to place temporary agency workers from non-EU countries. The Ministry noted that in 2010 there were 1,500 non-EU nationals registered with staffing agencies and that this was a potential threat to employment for the Czech nationals. Considering there were 256,000 non-EU nationals living legally in the Czech Republic, this number given by the Ministry seemed very small, and was likely to be an under-estimate (Ceskapozice, 2011). This change in legislation had the potential to impact many of the larger agencies who had contracts with the large scale manufacturers, such as Panasonic in Plzeň, as these tended be more consistent users of temporary agency workers who were not Czech nationals. Panasonic, for example, were known to have recruited many workers through an agency from the Ukraine and other former Soviet states (SIA, 2011e).

Temporary staffing agencies believe the changes would lead to a reduction in the Czech Republic's competitiveness on the basis that there were not enough skilled workers in the country to carry out the jobs they required. A government representative attempted to justify the changes:

‘The Ministry of Labour and Social Affairs in this way was trying to solve the problem of bullying of some foreigners by dubious agencies. Foreigners should be confident of the employment relationship to an employer, for which they actually work’ (Government Representative, Interview #61).
The proposed amendment was in direct conflict with Article 4 of the European Agency Workers Directive on the basis that it was an unnecessary restriction on the use of TAW, and both agencies and trade associations identified the move as a mark of discrimination (iHNed, 2011b). Furthermore, in 2010 plans were announced by the Ministry of Labour and Social Affairs (MLSA) to ensure more rigorous procedures for granting licenses for a temporary staffing agency. This was a response to cases of unfair practices by some agencies in the Czech Republic including cases of unfair pay or working conditions, through to the enslavement of workers. Some temporary staffing agencies supported the move to screen agencies and ensure those granted licenses were valid, although the reaction was mixed. Transnational agencies welcomed the change on the basis that it would not only remove some competition, but ensure they were seen as a reputable industry if the standards for obtaining a license were higher.

'The amendment would also contribute to the elimination of agencies that break the rule, or is somehow circumventing and abusing the way their clients, often foreigners' (Transnational Agency, Interview #65).

The advantage identified by transnational agencies made the decision unpopular with domestic agencies, who saw this as a threat to their existence in the labour market:

'In 2010 they [the MLSA] changed its previous interpretation of the law of practice required of applicants for permits to hire agency. Now, it is not enough to have secondary education and 5 years of experience in human resources (college or university and 2 years). Either that or at least 6 years experience in a HR Department. This just isn't realistic, we need to get the agencies started to get this level of experience. It means the big foreign companies are at an advantage' (Government Representative, Interview #60).

There were discussions about raising the costs for a license to be an agency but this was feared to favour only the larger transnational agencies. As one domestic agency points out:

'266,666 CZK would be nothing for a large company like Manpower, but that would totally wipe our profit out' (Domestic Agency, Interview #68).

While the state had originally intended to prevent illegal activities of agencies, in any case agencies would be unlikely to apply for a license. On 1st January 2011, the Czech Parliament approved a further amendment, whereby temporary staffing agencies were required to have insurance against insolvency (of both the agency and the client companies that used the temporary agency workers). The premium for such insurance amounted to three times the average monthly earning of all temporarily assigned employees at the time of application. The MLSA stated that:
‘Employment agencies will need to insure against failure. The employees of employment agencies must be taken care of their bankruptcy case, emphasizes the Ministry of Labour. The state cannot take care of them. We just do not want to be paid for this one event risk. If the employment agency is without insurance, there will be a two million CZK fine’ (Government Representative, Interview #61).

In response, temporary staffing agencies voiced their concerns over this amendment:

‘With the introduction of compulsory insurance, employment agencies are going to become significantly more expensive, we will have to raise costs, and this will be difficult as many people use employment agencies to lower the costs of some of their workforce. This means we would have to provide insurance for employees at the agency against a potential client's failure which is well beyond our control. We should not need to protect against failure of a company which we do not have a say in. This is just not reasonable, it would not happen in any other industry' (Transnational Agency, Interview #66).

The exact costs of such an insurance policy depended on the size of the agency. It was estimated that the largest temporary staffing agencies would have policies between 1 and 5 million CZK (€44,000-220,000) while smaller agencies would have to pay around 300,000 CZK (€13,000). Trade associations and agencies attempted to negotiate the terms of this new legislation with the Ministry for Labour and Social Affairs (MLSA). APA, the trade association for smaller agencies in the Czech Republic, stated that:

‘The absence of dialogue has led to the current form of treatment, which unfortunately brings honest agencies into a bad position rather than dealing with agencies that do not comply with, or bypass, legislation….It is absolutely shameful that the MLSA, as a state institution, act in this way, pouring oil into the fire, which itself is already blazing. It is to the detriment of honest entrepreneurs and agencies that these costs are to be put in place. It is not feasible or necessary’ (Press Release APA 22/3/2011).

The MLSA, however, strongly opposed the criticism:

‘The actual proposal for the introduction of insurance for agencies came at the initiative of representatives of labour agencies and it was discussed several times in the tripartite dialogue. In the legislative process on this proposal agencies have not sent any comments. The benefit should be better protection of workers and a higher standard of agencies offering work in the labour market and workers will be protected should either the agency or the company close’ (Euronews, 2011).

The MLSA justified the introduction of such measures to protect workers in the event that an agency or their workplace should shut down. Where this had occurred workers were left without wages, and many were not entitled to unemployment benefit as they had not been in work for long enough. In future, if such cases were to occur, they would receive a payment from the insurance provider (Euronews, 2011). However, no concrete examples of such cases were provided. The situation became further complicated as the law did not clearly state against what agencies were to insure, or how much they should be insured
for. Furthermore, only four insurance companies were willing to offer such a product in the Czech Republic - Slavia insurance, CPP, Uniqia and Atradium.

‘Throughout the European Union, there is nothing like it and it would be very difficult to create such a product. It is an extremely strange law to force all agencies to purchase insurance in a form which no insurance company is able to provide. It's as if the state forced the companies selected to provide their employees tickets to the moon, while ignoring the fact that no one can fly there. The Ministry again, instead of chasing the black employers and criminal forms of labour trafficking, its targets honest agencies’ (Trade Association, Interview #74).

There was a concern agencies in the future would circumvent the law:

‘An agency worked with Panasonic for half a year, had no license. And it was renamed three times, to try and avoid any inspection or checks. The more restrictions placed on employment agencies, the more agencies will learn to bypass them. Of course, this is not good for all employment agencies, it makes the good ones look bad' (Česká televize, 2011).

As of December 2011, 54 agencies with permits had failed to obtain the necessary insurance and were forced to close (Trade Association, Interview #76). The law required agencies to obtain the insurance within two months of receiving a license or this could be withdrawn. ‘These are the first victims of a senseless act, no insurance, there is no market’ (Trade Association, Interview #76). It is believed the application of this regulation could have a fatal impact on the TSI.

‘Our current regulation of temporary agency work interferes with life and generally complicates the whole business sector. Has the Czech government not learned from past mistakes. Really, the government clearly hasn’t learned its lesson from the turn of 2008-2009. It really hasn’t learned from the consequences of their mindless regulation in March 2009, when a similar ban issued for selected manual profession. Then what follows is a ban on employed foreigners for agencies in January 2012, another absurd ban. We will have crowds of homeless Mongolians, Ukrainians and other nationalities. Will the Ministry pay for tickets to home? No, of course not. This time employment agencies will be damaged not because of the economic crisis and layoffs, but due to a short-sighted government that does not solve problems, but rather produces discriminatory policies against agencies, like this compulsory insurance. I am really concerned about how this going to affect the business’ (Domestic Agency, Interview #68).

Trade associations viewed the measures as discriminatory, as the smaller Czech agencies did not have the same level of funds to address such legislative demands as the larger transnational agencies. Agencies argued that this legislation was incompatible with how the market worked, and raised the concern that many agencies would cease to exist, or at least exist in the legal sphere, and that more would move into the informal 'black economy' (Cesky Rozhlas, 2011).
7.4.3 Trade union responses to temporary staffing in the Czech Republic

The issue of increased monitoring for temporary staffing agencies represented the one issue in which the trade unions in the Czech Republic were in agreement with the agencies; in general, trade unions were against the concept of temporary staffing. In western Europe membership of trade unions was voluntary, whereas in post-socialist countries unions had historically performed functions of the state (Armingeon, 2006). Employees united through a union under conditions of the free market because they were weaker than the employers, yet this was not the case for the Czech Republic under Soviet rule, and this legacy has meant that trade unions did not have the strength of those in Germany.

Much like no single variety of capitalism or temporary staffing industry exists, there is no single western model of trade unionism (Herod, 1998). There is no such thing as a homogenous western trade union, or an eastern trade union (Armingeon, 2006). Unlike in the UK or Germany, TAW in the Czech Republic is not viewed by the government as a sector in its own right, but as a service to other sectors. Therefore there is no sectoral collective bargaining for TAW as in Germany. Collective bargaining is a key element of employment more generally, with rules on forms of work organisation, and the extent to which flexible forms of employment are permitted, generally featuring in the collective agreements (Vercernik, 2001).

Trade Unions in CEE developed in quite different political, economic and cultural contexts to those of Western Europe, and therefore developed different styles. The transition that occurred in CEE from the 1990s had a profound impact on all aspects of economy and society, including labour relations. The transition to a market economy heralded a fundamentally changing relationship between enterprise managers, the workforce, the state, and trade unions (Herod, 1998). Before 1990, industrial relations systems in CEE countries were characterised by central political and managerial control exercised by the state (Crowley, 2004; Kubicek 2004). In general there was, one single union, to which membership was quasi-compulsory, and unions were mainly meant to act as a transmission belt for the implementation of policies and decisions taken by the state party structure (Bronstein, 2003). Armingeon (2006) argues that trade unions in post-communist countries lack the power to defend the interests of their members, and are not very effective in reaching their goals, and this low union efficacy is not contested in many comparative analyses of unions in CEE (Thirkell et al., 1998; Crowley and Ost, 2001; Crowley, 2004; Kubicek, 2004).
During the transition, efforts were made to develop industrial relations typical of a market economy (Carley, 2002). Under the Soviet model of development, state control over trade unions was vital if central planning were to succeed, as independent unions could create obstacles for party goals. Therefore, during the communist era the role of trade unions was to serve as 'transmission belts' for the central command by ensuring production quotas were met, and it was assumed that the transition would lead to the unions acting to a greater extent as representatives of the workers (Pravda and Ruble, 1986).

Due to the geographical variation in economic and political conditions, the status and role of trade unions in transition has been variable. Some would argue that transition should have led to 'westernised' unions, yet the nature of the market economy emerging in CEE did not turn out to be a carbon copy of the West, and therefore the unions did not reflect characteristics of their western counterparts. Stark (1996) argued that a strictly Eastern European variety of capitalism was in development. After the abolition of mandatory membership to trade unions, membership and collective bargaining coverage in the Czech Republic sharply declined during the 1990s, from 100% coverage of the workforce registered at the beginning of the transition, to 27% by 2004 (EULFS, 2004). Unions in post-socialist countries were in what Armingeon (2006) described as a 'schizophrenic' situation where they were required to support the establishment of capitalist market relations, but at the same time they had to defend the employees against the logics of capitalism. This is different from the UK and Germany, where capitalist relations, and the role of trade unions, were already fully established.

Most of the employer organisations and trade unions in the Czech Republic were formed after 1989. They were often involved in tripartite negotiations, and were consulted regarding laws and developments that were likely to have economic and social consequences - including the reform of the labour code. ČMKOS, the largest union confederation had 600,000 members in 2006 - 22% of all employees in the Czech Republic. This was however a decline from its 4.3 million members in 1991 (Eriksson et al., 2007). There were no dedicated trade unions for those placed through a temporary staffing agency, and while in principle temporary agency workers could become members of trade unions of the sector they worked in very few did so. There were very few advantages to membership of a union when TAW positions could at the maximum last one year. However, the trade unions paid great attention to the use of agency workers in the labour market. OS KOVO - the biggest trade union in the Czech Republic and a member of CMKOS - continuously monitored discriminatory practices related to agency work for its members. This was not a move to try and recruit agency workers as members of the union, but rather to prevent wage dumping, and breaches of equal treatment in the Czech labour market. This was an attempt to protect its core members from being
undermined by the use of large numbers of poorly paid workers placed through temporary staffing agencies.

The view of trade unions towards TAW in Czech Republic was unequivocal. Much like in Germany, trade unions wanted to restrict the TSI, as they were concerned it caused many problems in the workplace, and argued it did not in the long term make a positive contribution to the labour market, and that too much flexibility existed in the labour market, with not enough protection.

‘These agencies undermine the protection and security of the workers. We fight to protect the security of our members in their jobs. If an agency brings in workers at a lower cost the employer starts to consider different options... Plus the agency workers should have a right to a permanent job, working for these agencies does not help them find one. Agency workers are not trained well enough in many of the jobs I have witnessed....in factories and warehouses. These need skilled workers who have had lots of training and are aware of the risks. Workers need to be able to go to work knowing that they have that security of pay at the end of the month. Every man should have that’ (Trade Union, Interview #78).

In contrast, trade associations believed that employment regulation remained too rigid, and more flexibility was necessary to facilitate job creation:

‘How can our members help people out of unemployment if there are restrictions on how long they can hire them for, and how much they have to pay them? The government has said that agencies are good for reducing unemployment, and yet they want to increase charges for the agencies and restrict how long they can use their workers for’ (Trade Association, Interview #74).

The unions strongly believed that TAW should be used as a tool for firms to use to meet peaks in demand, and that widespread use of TAW all year round was not justified - it was a tactic for reducing wage costs. Furthermore, they argued that the regulation of the TSI needed to be much stricter, and that a clear legal framework should be in place, as the Employment Act and the Labour Code were too ambiguous. The Czech-Moravia Confederation of Trade Unions (ČMKOS), the largest trade union organisation in the Czech Republic, argued against the benefits of temporary employment, claiming that agencies did not adhere to regulations regarding equal pay or treatment of workers (Hála, 2008). A trade union commented:

‘There are some agency workers that are employed with contracts which stipulate that they are to pay the agency fees for finding them the work, this is illegal. Agency workers should not be paying any fees to the agency, the agency should be pushing this cost on to the companies that hire them. These are agencies that have the licenses and are seen as 'good agencies' and yet they are acting illegally and exploiting what are already low paid workers’ (Trade Union, Interview #78).
The Trade Union of Commercial Employees (OPO) pointed out that similar practices had occurred within supermarket chains (Industry Commentator, Interview #81), and a further trade union confederation viewed the situation of TAW in Czech Republic as depressing:

‘There are probably around 25,000 agency workers in the metalworking and manufacturing sectors and this is growing every year. Every year more and more workers are being exploited through these agencies that don’t pay the right wages, charge fees for work, don’t provide the right training, and make people leave without notice. Just because we have a Labour Code doesn’t mean that agencies will adhere to it, after all it’s not like they are being checked. If anyone complains they are simply let go from the agency and no one else will take them’ (Trade Union, Interview #79).

Articles in the Czech news portal iHNed indicated that abuses of temporary agency workers had become more frequent during times of economic recession (iHNed, 2010, 2011c). Another trade union argued that despite the Labour Code stipulating equal treatment, in practice client firms did not respect temporary agency workers in the same manner, and rarely exercised equal treatment. In principle temporary agency workers had the right to demand the agency ensured equal treatment. They highlighted that while in principle those placed through a temporary staffing agency should receive equal wages as their permanent counterparts, in reality this was not the case. They estimated that in 2009, there were 25,000 people working in the Czech metal industry via temporary staffing agencies and receiving significantly less in wages than permanent employees, clearly a violation of the Labour Code (Trade Union, Interview #79). The trade unions were keen to involve the police, revenue authorities, and trade licensing offices in combating the inadequate protection for TAWs. They argued that employment supervision authorities did not have adequate resources to monitor all agencies. Again, much like in Germany and the UK, many unions launched their own campaigns at company level to combat the unfair treatment of agency workers. ČMKOS viewed the situation as serious, as the State Labour Inspection Office (SUIP) had no clearly defined roles or procedures for carrying out employment checks, and made requests for the Chamber of Deputies of the Parliament of the Czech Republic to discuss the issue in more detail.

Reports by the Czech Ombudsman on temporary agency worker conditions at a leading company who used agency workers, Škoda Auto, supported the arguments of the trade unions. Their findings indicated that Polish workers hired through an agency received significantly inferior wages to their permanent counterparts. This report was in response to a complaint received by the Czech labour inspectorate regarding the working conditions of Polish workers at Skoda. They revealed that the hourly wages being received by workers were around 15-20% lower than in the agreed collective agreement, and that wages were in arrears (Industry Commentator, Interview #81). In this case Škoda cooperated with the investigation and ensured workers were remunerated, however this event highlighted the
inadequacies of the Czech Republic Labour Inspectorate. The same agency was investigated a second time, and again a serious failure to adhere to Labour Code was revealed, leading the Labour Inspectorate to instigate legal proceedings which led to a fine of CZK 2 million (€80,000 in 2008) for the agency, imposed due to failure to ensure remuneration of employees (Industry Commentator, Interview #81). It was hoped that fining the agency involved would set a precedent to discourage other agencies from acting in breach of the Labour Code. Škoda maintained they were unaware of any breach of the Labour Code by the agency, but were keen to ensure that should the agency be found guilty, it would take appropriate measures. Škoda represented one of the most important employers in the Czech republic, and were a major user of agency workers, 4,194, or 1.3% of its workforce (Hála, 2008).

A further abuse of the use of TAWs was found in a similar case to that in Germany: through the use of in-house temporary staffing agencies. Some employers who frequently used agency workers established their own agencies to save on staffing costs, particularly the cost of overtime. Such companies would employ workers to work as a permanent employee for part of the day and then the rest of the day as a temporary agency worker under another contract (Trade Union, Interview #77). In principle the employee should receive the same wage if they were carrying out the same tasks as a permanent worker and as an agency worker, but as already outlined this was not always the case. Despite the presence of informal agencies, and the arguments from unions that temporary agency workers were exploited and a threat to the workplace, many recognised the positive contribution as an instrument of flexibility:

‘Agency workers are agreed on a temporary basis that’s a benefit for companies. Agency employees are actually a reserve that will protect the company during the downturn of production or help when there is a boom. They are also advantageous for the implementation of various one-off projects, where the employer does not pay to keep in constant ratio of the one you use once a year or even longer’ (Domestic Agency, Interview #67).

Nevertheless, they recognised that in some cases greater clarity was needed regarding existing legislation, and that further regulation may be necessary to address the abuse of some temporary agency workers.

7.4.4 Agency development in an emerging temporary staffing industry

The preference of Czech workers for full time or self-employed work over more ‘flexible’ forms of working, meant the motivation for undertaking TAW in the Czech Republic was slightly different to the UK and to a lesser extent Germany. Full time standard employment contract covers 95% of those employed (91% of working women). Czech employers made extensive use of overtime, exceeding the EU average of 68%, while fixed term contracts
were used less frequently (12%). The incidence of part time work was low and self employment was on the rise (EULFS, 2009). This was largely explained by the variation in employment protection for different types of contract. Regular employees were well protected - OECD Regulatory score of 3.05, EU average of 2.1 - while temporary workers were much less protected (OECD Regulatory score of 0.88 compared to 1.8) (OECD, 2009b).

For workers in the Czech Republic, a placement through a temporary staffing agency was an option to be avoided. The European Labour Force Survey (EULFS) indicated that in the Czech Republic 70% of people who were engaged in temporary agency work did so as they could not find a permanent position – higher than the European average (64.2%) (EULFS, 2009). In general the share of involuntary temporary work has been higher in CEE countries than the average level observed for Western Europe. In the Czech Republic, temporary agency workers had historically performed jobs associated with low occupational status (Kalleberg, 2000).

'People want to have a secure job, people come to use agencies when it is more or less their last option. They want a job that will last so they know they will have enough household income for the long term. We get told that some workers only want to do agency work until they can find a permanent job, and often ask if agency work will help them do that' (Domestic Agency, Interview #69).

In 2010, non-standard employment only represented 32.9% of employment in the Czech Republic. The non-standard employment portion was itself made up of around 80.9% part time contract, with fixed part-time, casual jobs and temporary agency work, representing a small percentage in the labour market. This does not mean that TAW was meaningless in the labour market however, as examined earlier in this chapter.

For many Czech workers the next viable alternative to standard employment was a fixed term contract. Keune (2003) highlighted how in the Czech Republic the type of employment was highly significant in determining one’s income position in society. Those on non-standard employment contracts tended to lie in the lowest income group average. Therefore, non-standard employment was seen as a ‘forced choice' when permanent or fixed contact work was unavailable. Temporary agency work, and non-standard employment contracts more generally, were often involuntary by nature, and associated with relatively lower occupation status than permanent contracts in CEE countries compared to Western Europe (Baranowska and Gebel, 2008).

In reality for TAW to experience greater growth changes regarding attitudes to forms of employment will be needed. Most Czech workers would rather a low paid permanent job than a higher paid agency job due to issues of security (Trade Union B, Interview #78).
While most all workers would prefer a permanent job, the social/cultural barriers to TAW in the Czech Republic appeared greater than in the UK. This thesis has already discussed the cultural resistance against the use of TAW in Germany, and a similar situation exists in the Czech Republic. Temporary agency work was not as prevalent as the UK, and in the Czech Republic TAW placements were concentrated at the low skilled end of the employment spectrum (ČSÚ, 2011). The situation was somewhat more compounded by the existence of relatively few employment contract options, and the relatively weaker support from the welfare state.

Temporary staffing agencies, particularly those in Europe, described themselves as 'agents of the new economy' (Theodore and Peck 2002). The TSI in the Czech Republic comprised a diverse mixture of agencies ranging from a single individual who held a license to employ temporary agency workers, but with no branch outlet, to large multi-branch transnationals who merged with, and acquired other agencies in the market. According to user companies the main reasons for hiring temporary agency workers are: the flexibility to react to changes in the business cycles, seasonal labour demand and reduction of labour cost in the company (Ciett, 2010b). Although regarded as the most disadvantageous non-standard employment form, many of those who undertook TAW did so because it was better than unemployment. As such the main action of agencies in the Czech Republic is placing workers into relatively low skilled positions. The reasons behind the use of TAW still remain along the lines of having a flexible workforce to adapt to short-term fluctuations in the labour markets and to save money on workers.

'It's an administratively undemanding means of gaining employees without complicated legal acts related to the establishment and termination of employment relationships. It also results in lower costs for human resources management and companies aren't burdened with the health insurance and social security schemes or to the state employment policy. The agency makes these payments, as they are the employer, lending their employee temporarily to a user firm' (Domestic Agency, Interview #71).

Despite this, evidence suggested that employers used agencies to screen potential employees:

'Many companies today view agency workers as the best source of future full-time employees. He has time to try them out' (Domestic Agency, Interview #69).

The use of TAW appeared more popular with the large (often transnational) employers such as, Arcelor Mittal, Microsoft, or many of the large car manufacturing firms such as Škoda and Hyundai. These companies not only used TAW as a tool for flexibility, but alongside other forms of flexible working, such as flexible working hours, compressed work weeks, teleworking, job sharing or a combination of these. Although many of the larger TAW users accepted the benefit of TAW as a tool for flexibility, their use illustrated
the insecurity experienced by many agency workers. For example, in 2010 Škoda announced that when production would move from Kvasiny to Vrchlani in January 2011 a significant number of its 650 agency workers at the plant would no longer be employed, while no permanent employees would lose their jobs. A Škoda union representative highlighted that the union was not against the use of TAWs:

'I do not mind the agency personnel as such because they serve a pillow, as a protection for the permanent staff. However, there are certain conditions, namely, that they cannot be too many, that they have good conditions so that they are not people of second or third category and must also have a chance or opportunity to transfer to permanent staff' (Autofox, 2010).

In 2010 Škoda Auto used around 1,600 temporary agency workers (3,000 prior to the financial crisis). There were nearly 1,000 people worked in Vrchlabi, and about 4,000 in Kvasiny. Skoda Auto employed a total of about 24,500 people in 2010. In 2011, Skoda announced it would only use temporary agency workers from Manpower (Manpower's largest contract in the Czech Republic), to reduce costs and time on recruiting from different agencies (iHNed, 2010). Škoda had previously used a range of agencies from the areas in which its production plant was located. Manpower established a branch close to the Škoda plant once the contract was agreed (iHNed, 2010). This example highlights that some transnational agencies managed to negotiate sole supplier contracts; however this was not a widespread feature. In the more mature markets of the TSI, in particular the USA and the UK, there is evidence that agencies were attempting to move into more specialised areas of the labour market, focusing on lower volume, higher margin activities such as recruitment, and HR management services. This path of close specialisation has been limited in the Czech Republic, although efforts have been made by many agencies to diversify, (seen in Table 7.4).

However, it is believed that the demand for the services of TAW will grow.

'It seems that the market requirements for agency employees will continue to grow. Medium-sized businesses will seek to outsource some activities. Growth prospects for the development of the employment agency look positive over at least the next ten years' (Transnational Agency, Interview #65).

Many believed agencies were going to become more important as the market continues to change:

'It seems that the economic cycle is being reduced and that there will be faster to market changes. Firms will need to respond quickly, be more flexible, even if they are employees. This means that service providers, outsourcing, but also the employment agency will become more important' (Trade Association, Interview #75).
Coe et al. (2008:1412) argued 'agencies want markets in which labour markets are rigid enough to make their business appear attractive to corporate clients, but not too relaxed to eat away at the ability of agencies to create and to capture value. What is needed is an injection of uncertainty into labour markets'. Until 2010, the TSI in the Czech Republic had been subject to relatively few regulations, which provided the initial conditions for the growth of the TSI. As new amendments to the Employment Act and Labour Code were introduced, concerns emerged that re-regulation would reduce the financial viability of running a temporary staffing agency in the Czech Republic.

The labour market meanwhile was still developing and there was an increasing demand for qualified labour and more sophisticated Human Resources services. This needs to be considered in the context of increasing levels of higher education in the Czech Republic. The TSI responded accordingly and a number of small domestic agencies focused on more professional temporary staffing (and permanent recruitment services), such as R4U, a small domestic agency based in Prague, established in 2006. Their initial focus was professional recruitment, and by 2010 had already expanded into HR consultancy services. Many of the larger transnational agencies expressed interest in expanding up the value chain, providing more specialist recruitment services but had refrained from putting resources into this, as there was not enough demand. The exception, Grafton Recruitment, had their own specialist recruitment arm - Grafton Technologies - which had established a leading position among the professional recruitment agencies by focusing on skilled candidates in technical fields. Other agencies remained consistent with their role in the labour market, as explained by a small domestic agency:

'...We have been operating since 1998 when we began to search for short-term employment for university students and later high school students and help them access the job market during the year. We also responded to the increasing demand of employers for working quickly to provide assistance without any administrative worries. Throughout the entire existence of our services we have worked with hundreds of companies and thousands of employees. With many companies we work long term, despite all the changes that time brings' (Domestic Agency, Interview #67).

As Coe et al (2008:1410) suggested: 'agencies were clear that they had their work cut out to grow the markets for their products'. With this awareness, agencies were expanding both their geographical presence and the services they offer, albeit at a much slower pace to the UK and Germany.

7.5 **Summary**

'Transition constitutes a complex reworking of old social relations in the light of processes distinct to one of the boldest projects in contemporary history – the attempt to construct a form of capitalism on and with the ruins of the communist system' (Pickles and Smith, 1998:2).
This chapter has presented the national system for temporary staffing in the Czech Republic, demonstrating how temporary staffing industry (TSI) growth continues against a background of developing regulations, resistance from unions and competition from the informal sector. The transition from state socialism to a market based societies has led to profoundly different economic systems in the Czech Republic than witnessed in Western Europe. The Czech TSI reflects both its historical context, and patterns of growth and development resulting in a further distinctive national TSI. New temporary employment forms have been introduced to combat rising unemployment that accompanied the privatisation of state owned enterprises. In addition the country faces pressures from the EU to meet employment targets set out in the Lisbon Agenda and the European Employment Strategies, which favoured more flexible employment forms, including temporary agency work (TAW). By 2010 the TAW penetration rate was still significantly lower than the European average.

Profound changes occurred in the Czech TSI, from an initial spark for industry development in 2004 via the Employment Law, followed by Amendments to the Labour code in 2006 when TAW became legalised. Therefore, the TSI emerged from a developing regulatory space. This emergence is being shaped by interactions between key actors in the labour market, predominantly the state, agencies and trade unions, as well as by the wider economic conditions, in the region, and globally. The government, while initially providing few restrictions on the use of TAW in the Employment Act and Labour Code, repeatedly enacted forms of re-regulation presenting agencies with significant barriers to growth. These included increasing requirements to obtain a license from the MLSA to operate as an agency, the prohibition of using non-EU workers as temporary workers, and the amendment which required all agencies to purchase insurance against insolvency of an agency or user company. These all placed extra financial pressures on agencies, in an already struggling labour market. Increasing financial constraints have been identified as a threat to smaller domestic agencies which do not operate on the same global scale as some of the transnationals and thus struggle to compete when such measures are in place. The issue of competition for temporary staffing agencies is exacerbated by the presence of informal agencies in the labour market.

Exploring the development of the TSI in the Czech Republic has demonstrated the importance of taking into account distinctive historical backgrounds in consideration of capitalist systems. The country is clearly affected by processes of globalisation (presence of many transnational companies including temporary staffing agencies), and accession to the EU has led to a more rapid process of marketization and market-based competition (Lane and Myant, 2007). However as Bohle and Greskovitz (2007b) highlight the capitalist
institutions taken for granted in much of Western Europe, such as regulation of labour markets, are still emerging, particularly in the case of the temporary staffing industry. Peck and Theodore (2007b) suggest that understanding variegated capitalism should take into account moments of economic transformation and institutional restructuring, and this is paramount when considering counties undergoing post-socialist transformation. However, there should also be a consideration of the cultural backgrounds against which these transformations take place. Even when focusing investigation on the development of institutions relevant to the TSI in the Czech Republic there is a strong cultural resistance to the use of temporary agency work and this acts as a significant barrier to expansion. It is an issue which considering economic institutions alone, would not be taken into account.

As Coe et al. (2008:1412) highlighted in their initial exploration of the Czech market: ‘real barriers to further expansion exist, and in particular, the capacity of the agencies to move up the value chain is likely to remain limited’. There have been some efforts by agencies to progress into the higher margin occupations and begin to offer more employment services, but without demand across the country, this occurred predominantly in Prague, and with limited success. Many agencies, both domestic and transnational, still placed agency workers in low skilled positions across the country with the highest proportion of agency workers seen in the manufacturing, and office and administration sectors. Trade associations are still in development and do not yet have as much presence as their counterparts in the UK and Germany. Therefore, the role of the TSI remains as a provider of short term labour for client firms in a limited range of occupations, and as such has reduced capacity for driving labour market change.

The Czech Republic represents a significantly smaller TSI than witnessed in the UK or Germany. Significant levels of re-regulation increased the financial obligations on agencies, which in turn made it increasingly difficult for them to operate on a financial viable basis. Evidence existed of a growing dialogue between the associations, but also with government departments, and on rare occasions the trade unions. The trade unions in the Czech Republic in most cases strongly opposed the use of TAW, viewed a threat to permanent employees. Some unions were active in highlighting agencies in breach of regulations with respect to pay and equal treatment, while others continued campaigns against the use of TAW more generally. With such barriers, it remains unlikely the Czech TSI would grow at a rate or to the extent that was first hoped when the Employment act and amended Labour Code were introduced.
8 Conclusion

8.1 Introduction

In their advertising, both on-line and on the high street, Randstad use the slogan 'shaping the world of work', while Kelly Services claim to be 'solving workforce challenges', Adecco suggest that agencies are a route to 'unlocking Britain's potential', and Manpower provide 'borderless workforce solutions' (Agency Websites). While these slogans are somewhat superficial, they hint at the roles agencies have assigned themselves in the labour markets of the world. This thesis has explored the institutional context for three countries in which the temporary staffing industry (TSI) operates, interpreting the developments and changing dynamics between actors in order to emphasise the existence of nationally distinctive temporary staffing industries, and the role of these industries in each case. The aim of this chapter is to summarise the findings of this research, discussing its empirical, theoretical and methodological contributions and suggesting further avenues for research. Section 8.2 discusses the empirical contribution, providing a comparison of the three cases. The focus then turns to the theoretical conclusions, first in terms of researching temporary staffing (Section 8.3.1), and second in terms of studying varieties of national systems (Section 8.3.2). Section 8.4 then summarises methodological issues and limitations of the research, before considering future research pathways (Section 8.5).

8.2 Empirical contribution

The thesis sought to understand the different institutional arrangements of the TSI in three different political-economic contexts. An exploration of three case studies was conducted, in: the UK, Germany and the Czech Republic. The analysis revealed a complex set of institutional arrangements, with nationally distinctive factors shaping the characteristics and development of the TSI. Chapter 2 highlighted how there was insufficient literature that addressed the variable nature of national temporary staffing industries, and a research gap which this thesis makes a significant contribution to fill.

The empirical contexts for this analysis are three countries which are home to not only different political-economic systems, but different national temporary staffing industries as well. This research identifies important actors within each national system, tracing the connections between them, fundamental variables to the operation and development of each TSI. This addressed the core aim of this thesis: to develop an understanding of the wider role of temporary staffing in the labour market, and how the industry and its constituent actors are inter-related. To achieve this aim a series of research questions were devised and explored in the empirical chapters, and will be revisited here.
1. What is the role of the temporary staffing industry in three contrasting political economic contexts?
2. What are the interactions and interdependencies between temporary staffing agencies and other public and private sector intermediaries in different national contexts?
3. To what extent are activities undertaken by agencies, such as where types of workers are placed and in what sectors, shaped by national context?
4. To what extent does the temporary staffing industry act as an active agent of labour market change in different contexts?
5. To what extent are there convergence tendencies, between temporary labour systems in different national contexts?

The analysis of these research questions was presented through the three empirical case studies in Chapters 5, 6 and 7. While the focus of discussion in these chapters alters somewhat according to issues of importance in each, key aspects of each chapter remained uniform in order to allow effective comparison. The institutional context of temporary staffing crucially includes the state (and all its arms), trade associations, trade unions, plus domestic and transnational agencies. In addition, the wider European context cannot be ignored, particularly in the context of European Union regulations which require implementation at the national level. In order to draw together the findings from the three chapters, Table 8.1 provides a summary of the features of the three different temporary staffing industries. The concept of a national temporary staffing industry introduced by Coe et al. (2009a) has been reified through empirical observation of the TSI in the UK, Germany and the Czech Republic, allowing the existence of three national temporary staffing industries to be identified.

In the UK the TSI has matured, expanding into all sectors of the labour market, including efforts to move into more professional sectors of work (albeit not on the scale the agencies would like to suggest). Prior to the European Agency Workers Directive, the state had abolished license for temporary staffing agencies, and in general imposed few restrictions on TAW, and as such had little impact on the TSI; however, the development of these new regulations meant that some increased involvement became necessary. An agreement between the Trade Unions Congress (TUC) and the Confederation of British Industry (CBI) influenced the final terms of the European Agency Workers Directive, fuelled by arguments from agencies across the country trying to ensure their market would not be disadvantaged. Other state influences related to the presence of regulators (the Gangmasters Licensing Agency and the Employment Agency Inspectorate), designed to ensure adherence to regulations. In practice, the small size of these institutions meant their influence was relatively small. Temporary staffing agencies and trade associations sought to increase their links with public employment services in order to place workers, as well as provide some forms of training, in an attempt to dissolve the divide between the public and private sector intermediaries in the labour market.
Table 8.1: Three national varieties of temporary staffing industry

<table>
<thead>
<tr>
<th>Country</th>
<th>Broad Characteristics (2010)</th>
<th>Key Actors</th>
<th>Strength of the Trade Unions</th>
<th>Strength of the Trade Associations</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>No. Temporary Staffing Agencies: 11,500 No. Temporary Agency Workers: 890,000 Temporary Agency Work Penetration Rate: 3.0%</td>
<td><strong>Trade Associations</strong>: Make great efforts to promote agencies as legitimate employers. Lobbying at national and international level. <strong>State</strong>: Provides liberalised market conditions apart from Agency Workers Directive <strong>Regulators</strong>: Gangmasters Licensing Agencies, Employment Agency Inspectorate, although their ability to influence the market is limited due to size and scope. <strong>Agencies</strong>: Attempt to promote professionalisation of the industry. Public-private partnerships to develop presence further in the labour market.</td>
<td>Highly liberalised market, few restrictions on the establishment of agencies. No restrictions on the use of agency work in different sectors. Greater impact from EU Agency Workers Directive requiring equal treatment of agency workers from Week 12 of assignment. Public-private partnerships encouraged and in place with some agencies as well as REC, the largest trade association.</td>
<td>Trade Union membership declining. Low number of agency workers as union members. Trade Union Congress (TUC) (with the Confederation for British Industry - CBI) fundamental in defining the terms of the European Agency Workers Directive.</td>
</tr>
<tr>
<td>Germany</td>
<td>No. Temporary Staffing Agencies: 6,049 No. Temporary Agency Workers: 793,000 Temporary Agency Work Penetration Rate: 2.0%</td>
<td><strong>Trade Unions</strong>: Involved in negotiating collective agreements. Strong campaigns against unfair use of temporary agency work and unfair treatment of temporary agency workers <strong>Trade Associations</strong>: involved in negotiating collective agreements. Lobbying at national and international level. <strong>State</strong>: In the past had imposed sectoral bans (since removed). Strong involvement in decisions regarding minimum wages for temporary agency workers. <strong>Agencies</strong>: Many larger agencies have established training programmes for agency workers. Many agencies seek to improve their image in the labour market.</td>
<td>Successive waves of deregulation, most notably the Hartz reforms of 2003. Length of assignment restrictions and sectoral bans reduced. Strong state criticism of temporary staffing agency practices, such as the use in-house agencies, ensuring agencies were tried in the High Labour Court. Lengthy discussion in government resulting in a minimum wage for temporary agency workers. Some evidence of co-operation between public employment services and temporary staffing agencies.</td>
<td>Traditionally strong trade unions although membership declining. Temporary agency workers as members &lt;1%. However, trade unions agree in negotiating collective agreements for temporary agency work, therefore have a role in determining pay and conditions.</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>No. Temporary Staffing Agencies: 215 No. Temporary Agency Workers: 70,000 Temporary Agency Work Penetration Rate: 0.7%</td>
<td><strong>Agencies</strong>: Domestic agencies remain dominant, although increasing branch presence of transnational agencies. Informal agency work acts as significant competition. <strong>State</strong>: Requirement for license and potentially a requirement for agencies to have insurance against insolvency. <strong>Trade Unions</strong>: Campaigns from some unions against temporary agency work.</td>
<td>Ministry for Labour and Social Affairs requires agencies to have a license Places restrictions on non-EU workers for temporary staffing agencies. Existence of a state labour inspector in office, but in practice little interaction took place with agencies.</td>
<td>Traditionally high levels of union membership under socialist rule. Power of the unions relatively weak. No collective agreements for temporary agency work, as not deemed a sector in its own right. Strong resistance against the use of temporary agency work.</td>
</tr>
</tbody>
</table>

Source: Authors compilation.
In addition, this not only cemented the position of some agencies in the labour market, but also raised their profile. The role of the TSI in the UK has gone beyond simply placing workers: while agencies are keen to be seen as legitimate employers, they are also active in trying to shape their labour market conditions - either through collaboration with other actors in their labour market, or by expanding their presence.

In Germany, development of the TSI started at a later date than the UK, with the largest growth seen after the Hartz reforms in 2003. Temporary agency workers are now placed in a wide range of sectors; although larger proportions are placed in manufacturing than in the UK, in part due to the structure of the German economy. Temporary agency work is regulated largely through collective agreements, and this has ensured the presence of both trade associations and trade unions as key actors in determining changes to the industry. While the state did not always play a large role in these agreements, developments in the industry regarding the use of in-house agencies and minimum wages meant much greater involvement of the state, culminating in the introduction of a minimum wage for all temporary agency workers. Trade unions remain a strong force in the German system, and significant resistance to the use of temporary agency work in the workplace is still experienced, often manifested through Works Councils and trade union campaigns.

Temporary staffing agencies have sought to improve their image in the labour market; one mechanism to do this has been to expand their services to include training courses for temporary agency workers. The role of the TSI in Germany remains largely concentrated in placing workers according to peaks and troughs in demand. However, agencies and trade associations are active in trying to develop this role to include greater collaboration with public employment services and a greater presence in the labour market, in order to address resistance to market expansion.

The Czech Republic has a much smaller TSI, compared to elsewhere in Europe, largely due to legalisation of the sector taking place only in 2006. As a result, the TSI has a much smaller sectoral presence than in the UK and Germany, although like in Germany a greater presence in manufacturing exists reflecting the dominance of this sector in the wider labour market. Significant resistance against temporary agency work was voiced by the trade unions, who favoured the permanent employment model. Nevertheless, significant branch expansion has taken place beyond the capital city, Prague. The Czech Republic is still in a process of developing its regulatory framework. In addition to licenses, agencies are required to insure against insolvency (of the agency or client), a move which received significant resistance from the agencies and trade associations. Trade associations in the Czech Republic are yet to establish the lobbying capacity as did their equals in the UK or Germany. However, they do represent the range of agencies in the formal labour market. Temporary staffing agencies in the Czech Republic also face
competition from a large informal sector of 'agencies'. In summary, the Czech TSI still predominantly undertakes the role of placing workers where demand exists from client firms. However, agencies are active in establishing branches specifically in areas where demand develops in order to expand their network and presence.

This thesis has extended the framework of a national temporary staffing market initially developed by Coe et al. (2009a) to not only provide evidence of three national temporary staffing industries but to place emphasis on the interrelationships between different institutions and the effect this has on the role of the TSI in the wider labour market. The implications of this can be extended to suggest that any network of intermediaries or industry should be understood as part of a wider institutional context – as part of a business system, which in turn create a particular form of national economic coordination.

8.3 Theoretical conclusions

The principal theoretical contribution of this thesis is to bring together the different approaches on national systems, while taking into account perspectives on labour markets and developing an understanding of the temporary staffing industry (TSI) as an element of the labour market. This framework rests on a series of approaches to explaining difference in national systems, grouped under the broad term of 'varieties of capitalism'. Specifically, these include varieties of capitalism (Hall and Soskice, 2001a), business systems (Whitley, 1999), national systems of innovation (Lundvall, 1992), welfare capitalism systems (Esping-Andersen, 1990), social systems of production (Boyer and Hollingsworth, 1997) and social systems of innovation and production (Amable, 2000). Furthermore, this thesis acknowledges the contribution of Peck and Theodore (2007b) on variegated capitalism, who argue that capitalist systems are too diverse to be categorised and should be recognised for their distinctive national features. The framework of this thesis seeks to incorporate temporary staffing in considerations of national systems, identifying institutions and their inter-relationships which are conducive for temporary staffing industry development. This research develops an understanding of the institutional contexts for the temporary staffing industry using the empirical cases of the UK, Germany the Czech Republic. An understanding of the variegated nature of national systems, and an awareness of the wider national and socio-cultural and historical contexts in which they developed, are required. The issues related to the study of temporary staffing industries are considered first in this section.

8.3.1 Understanding the temporary staffing industry

This thesis has sought to make a comparison of the temporary staffing industry in different countries, moving beyond the broad statistics which do not reveal the nature of the industry in the labour market - or its differences. Undoubtedly, the contrasting institutional
arrangements in each case study country highlight the interrelated nature of institutions in their respective national labour markets. In all three cases, the TSI was constituted by different institutional relationships which ultimately impacted on the form and role of the industry in each country. This research makes four key contributions to the understanding of the TSI.

First, the theoretical arguments presented in Chapter 2 identified factors behind national difference, and categorised institutional arrangements of countries into different typologies. The 'varieties of capitalism' approach fails to sufficiently account for the role of labour markets - and therefore the TSI - in the economic system. As such, it is inadequate for addressing the structure and development of the TSI. The formation of the TSI is not pre-determined by the regulations of the state or the presence of certain institutions, but by a hybrid of both the forces from existing institutions and the agenda of other institutions to either foster development of the TSI (in the case of agencies and trade associations), or hinder its development (in the case of some trade unions). The relationships between institutions are neither simple nor static; as such any understanding of a TSI should take into account the potential for a multitude of industry development trajectories, based on past and existing institutional arrangements.

While in all three countries the state has played a role in influencing the development of the TSI, the breadth of this influence varied. The TSI can be empowered or restricted by a regulatory framework, which can impose constraints on temporary staffing agencies through either specific temporary agency work regulations, or wider employment regulations. However, as Berndt (2000:1570) argues 'the macro entities such as the nation state cannot be seen independently from the individuals and groups producing, reproducing, and transforming core institutions in daily action and interaction'. The empirical cases in this thesis suggest the state can act as a prompt for growth via de-regulation, but also an inhibitor of growth via re-regulation (of either temporary staffing or wider employment relations). Furthermore, while the state can provide the legal foundation for the growth of the TSI, the actions of agencies actively expanding their remit in the labour market will also affect its form and role. This thesis supports the argument that 'the state plays a key role, regulating the employment relation through legal measures', but also that 'the state, employers, trade union organisations, and workers are all involved in crafting the ever-changing geography of employment' (Wills et al., 2000:1528).

Throughout this research it was clear that temporary staffing agencies undertake an active role in developing their presence in the labour market, either through expansion of the sector's presence, diversification of services or involvement with public and private sector
institutions. However, as Aoki (2001) argues, patterns of firm behaviour are deeply embedded within institutional environments, and therefore this role is influenced by wider institutional arrangements. This research has demonstrated how agencies have involved themselves in a range of activities, including merger, acquisition and expansion, public-private partnerships, and training programmes, all of which are designed to expand their presence in the labour market. Consequently, greater theoretical attention needs to be paid to the role of agencies in shaping labour market outcomes.

Whilst not denying the important insights that these case studies provide, it is important to consider the 'bigger picture' (Yeung, 2003). The possibility of convergence between national systems was initially addressed in Chapter 3 which considered movements in European regulation of temporary agency work. The convergence in regulation towards a similar model was largely facilitated by the introduction of the European Agency Workers Directive which was designed to create a minimum standard for temporary staffing agencies - either through removing restrictions, or introducing mechanisms to ensure fair treatment of temporary agency workers. As seen in this thesis, responses to the European Directive differed due to existing national arrangements: for the UK it meant a form of re-regulation with respect to pay and conditions for agency workers; for Germany the implications were minimal, as collective agreements were in place; and for the Czech Republic it created a framework to guide development in an arena where regulations were still being constructed. Even before this (as shown in the maps of European regulatory change for temporary agency work in Chapter 3) regulatory restrictions on the TSI were being reduced in many countries (for example Italy), while in emerging markets (for example most of Central and Eastern Europe) regulations were increasing, as there had previously been little in existence. This suggests that regulations are converging to some form of middle ground where agencies are relatively free to operate in the market, on the premise that temporary agency workers receive fair pay and conditions. However, this is only one aspect of the temporary staffing industry, and one aspect of regulation for temporary staffing agencies. While regulatory conditions may exhibit features of convergence, the individual industries are likely to remain more variegated, as shown in this thesis, due to the historical and contemporary institutions which have developed.

The essential contribution of this thesis is the analysis of institutional contexts of temporary staffing in a range of different countries. Although some research into the development of the industry has begun to explore the role of temporary staffing agencies in the labour market, the area of the TSI as a complex inter-related system remains largely unexplored. This research draws attention to the nationally distinct formations of the TSI where actors have varying degrees of importance depending on the wider institutional context, driven by both historical and contemporary institutional arrangements.
In doing so, this research speaks to the literatures on the temporary staffing industry, labour markets and different formations of national systems.

8.3.2 Understanding varieties of national systems

The key theoretical insights that have been generated throughout this thesis relate to the study of national systems, and the importance of the national scale as a unit of study. This thesis began with an exploration of the different approaches for considering national systems and their institutional arrangements, on which there is a vast literature. Undertaking an analysis of this literature in Chapter 2 identified a range of potential approaches, but also what key elements remained largely absent in the perspectives, most notably the role of labour markets. However, in accepting the multiple possibilities of variegated national systems, this research illustrates that it is more appropriate to think of these different formations as individual arrangements. Under this approach certain features may display similarities between systems, but the historical and contemporary arrangement of institutions produce a specific national formations of capitalism, resulting in diverse institutional arrangements in different political economic contexts. It is important that empirical studies are also used to inform and re-evaluate a theoretical understanding of national systems. This study of the temporary staffing industry highlights three key issues related to the understanding of national systems, outlined in this section.

First, this thesis makes a significant contribution to the understanding of variegated national systems of capitalism. Peck and Theodore (2007b) suggest that actors in systems are generally ‘brearers of prevailing models of restructuring or nascent forms of resistance’ compared to the varieties of capitalism conceptualisation which places emphasis of firms and business as key actors in the system. This research has highlighted that firms (in this case temporary staffing agencies) can be key actors whose actions can cause change in the system. Often this change is brought about through co-ordinated action via trade associations. The implication of this is that different institutions (including firms) should be considered as agents of change rather as agents which respond to prevailing conditions. Nevertheless, the analytical gazes of variegated capitalism with a focus on processes and forms of uneven development has proved more appropriate for the study of national systems than that suggested by varieties of capitalism. This has fostered the exploration the TSI focusing on moments of transformations and analysis of regulatory project which have allowed a more detailed understanding of the organisation of the TSI across a range of national systems.

The empirical observations in Chapters 5, 6 and 7 have moved beyond discussion of the form and characteristics of the TSI to identify key factors affecting development. In many cases regulation created by the state (although often influenced by other actors) can act
as a facilitator or inhibitor of growth, but this is not the only defining factor. In the UK, agencies have actively sought to expand their operations, diversifying their services and occupational sectors; this is in combination with developing links with the public sector in an attempt to secure demand for their services. In Germany, the campaigns of trade unions against agency work present an obstacle for agencies; although they continue to expand their network - and, in the case of some larger transnationals offer training programmes, presenting themselves as legitimate labour market providers of both employment and skills development. In the Czech Republic agencies seek to expand but face increased regulation and competition. Change has been driven by changing financial requirements from the state, combined with an emergence of demand for temporary staffing agencies. Through understanding gained of the underlying power relations driving the development of national economic systems, more careful consideration must be made of the abilities of a wider range of institutions. The 'varieties of capitalism' literatures were firm centred, and while temporary staffing agencies as firms in the system are vital, there are other institutions which can also affect the dynamics of the industry. As such, any consideration of wider national systems, should take into account the variety of institutions which cooperate and collaborate to drive development. The TSI represents a component of a wider labour market, and the labour market in turn represents a significant mechanism of wider economic change, and as such should be incorporated into the analysis of national economic systems.

Each national temporary staffing system is changing, with different dynamics and drivers; therefore, any wider national system is also changing as a result of varied factors. Furthermore, due to such elements of change, it would be unproductive to try and categorise these cases according to characteristics at any one point in time, as these would not necessarily be the same in a short space of time. Consequently, using a variegated capitalism conceptualised which signal elements of change, is more useful for studying national systems, as has been continually highlighted throughout this thesis.

Secondly, an awareness of the wider international influences should be taken into account. It would be impossible to consider the countries included in this thesis without taking into consideration the impact of the European Union. Furthermore, the institutional arrangement in each national context will affect the influence of international institutions, such as the EU. The European Agency Workers Directive in this thesis has provided one such example. For the UK TSI, which has been largely de-regulated, efforts of the EU to harmonise regulation meant an element of re-regulation for temporary agency work. In Germany, strong state influences meant that provisions were already in place that EU influence had little impact. For the Czech Republic, a developing system meant EU influence came from both targets for employment (in terms of reducing unemployment),
but also to regulate the TSI. The key point is that each reaction to the EU Directive was
different due to distinctive national arrangements, but at the same time, an influence was
recognised. Therefore, any consideration of European countries should be considered
against its wider EU context, hence the discussion of the TSI in Europe in Chapter 3.
Variegated capitalism places emphasis on multiscalarity and this has been emphasized in
this thesis, showing how in terms of exploring national systems it is vital to also consider
the wider European context. This thesis make a particular contribution on this point to
highlight the varied ways in which European influences can differ according to particular
national institutional arrangements.

Thirdly, this thesis make a theoretical contribution to the understanding of the functioning
of flexible labour markets in the 21st century. The cases explored here have highlighted
ways in which labour market intermediaries have sought to integrate themselves in labour
market. Depending on the wider institutional context labour market intermediaries have
been able to expand their role beyond the placement of workers,

The use of temporary staffing work and more flexible forms of employment have been
identified as key features of Post-Fordist labour markets (Martin, 2000), and yet the extent
to which these play an important role in the labour market differs between national
contexts. While temporary staffing agencies may be present in a labour market this
does not necessarily this is the dominant form of employment. Therefore, more careful
attention should paid to the differing forms of flexible employment in labour markets and
the extent to which they contribute to the features of the wider labour market.

Furthermore, in studying labour markets, this thesis makes an additional contribution,
which highlights how many of the features of flexible labour markets (regulations etc.) are
a function of the interrelationships between the temporary staffing industry and national
labour market institutions. Gaining an understanding of such relationships allows a greater
understanding of the role of intermediaries, but also the flexibilisation of employment in
different national contexts. In addition, the boundary between the private and public sector
should not be ignored when exploring labour market features, as has been shown in this
thesis, efforts have been made by the private sector to take on functions traditionally
associated with the state. This suggests in order to understand the development of 21st
century labour markets an awareness of the extent to which labour markets are
developing a public role for the private sector is needed.

A final contribution of this thesis concerns the concept of convergence. While it has been
argued national systems may convergence towards a common neoliberal model, this
thesis has displayed this is not necessarily the case in all elements of national economic
systems. Even where elements of a system (for example regulation) may display some features of convergence, the system may more widely be cementing its own individual national formation. While labour markets may be considered to be transforming into a Post-Fordist form, their features may not be uniform across different national systems. This has been displayed in this research through the development of three national forms of temporary staffing industry.

### 8.4 Methodological considerations

This thesis addresses the research lacunae that existed around the temporary staffing industry as an interrelated system of institutions. A comparative case study approach provides a particularly useful tool to unravel the complex interrelationships between actors, identifying their relative importance within different national temporary staffing industries better than any statistical analysis could have provided. The use of secondary quantitative data was, in turn, useful for charting the developments in the size and form of the industry where possible, but relying solely on this would have not been suitable for developing a view of the wider institutional context. While this thesis has made a significant contribution to academic literature on temporary staffing, there are a number of limitations based on the methodological approach.

First, the research is limited by the fact that it concentrated on one point in time, providing a snapshot of the temporary staffing industry. The 'varieties of capitalism' literature (see Hall and Soskice, 2001a; Hancke, 2009a) was highly criticised for its inability to capture dynamics of change within systems, and it is important for this research not to do the same. The empirical chapters highlighted drivers of change in the industry either from regulatory pressures, agency developments or elsewhere in the system. It is important to continue to chart the development of this highly dynamic industry which has already transformed from its characteristics at the beginning of the century. To disentangle the effect of different institutions on the actions of temporary staffing agencies and other actors, it is necessary to expand the analysis to longer time frames and monitor changes.

The second issue relates to the concept of generalisability. The case study approach was beneficial for illuminating the relationships which were key to the development of the TSI, and their relative importance in different national temporary staffing industries. While it may be argued that case studies are not suitable to make generalisations because they are based on subjective qualitative data, generalisability was not the key aim of this research. Furthermore, given the small number of case studies and their empirical richness, it could be questioned how generalisable the research findings are. At the same time, while this research has provided detailed empirical evidence of different countries, it is necessary to avoid the 'methodological dangers of over-generalising from one or few examples' (Amin and Graham, 1997). However, as stated in the methodological
discussion earlier in the thesis, that was not the intention of these case studies. Nevertheless, the awareness of this potential limitation, due to the limited geographical scope of the research is necessary. The development of the temporary staffing industry has not occurred in a uniform manner across Europe or across countries; any attempt to theorise about the nature of the temporary staffing industries must be sensitive to the geographical and historical contexts within which it is playing out. Such geographical variations greatly complicate efforts to generalise the nature of development of labour relations. Although this research on the TSI from a geographical perspective is limited to only three countries, these have successfully displayed nationally distinctive variations which not only confirm the nationally variegated nature of the TSI, but also act as a starting point to consider other countries.

The third issue relates to the research process. By nature, qualitative research is subjective, and an awareness of this is necessary when conducting research. As discussed in the methodological chapter earlier in this thesis, there are potential factors that may have influenced the information gained through interviews, relating to my position as a young female researcher conducting elite interviews. Despite this, attempts were made throughout the research process to reduce the threat of bias, triangulating data where possible, using secondary data, or seeking supporting data through other interviews to ensure viewpoints were representative.

8.5 Future research agenda

While this research has made a contribution to the current scarce literature on the temporary staffing industry, it is necessary to consider how this can be developed in future research projects. The natural limitations on conducting this research meant that not all issues that arose in the research could be pursued or included in this thesis. As such, beyond continued exploration into the temporary staffing industry (TSI) included here, there are a multitude of possible avenues for research on the temporary staffing industry, of which eight are outlined in this section. The first avenue is research into further national contexts within Europe. This thesis has highlighted three different national temporary staffing industries, illustrating the distinct features of each and how they have been shaped largely by national political, economic and social changes. In the case of UK, Germany and the Czech Republic there are clear institutional differences which have affected the role and development of the TSI. This indicates the importance of continuing research at the national level, considering national systems of production as a useful unit of analysis. In Chapter 2 a discussion of 'varieties of capitalism' identified different groups of capitalist societies based on similarities in institutional arrangements of economic performance, and highlighted the importance of understanding the variegated nature of capitalism. In reality, every form of capitalism is
different and as such should not be part of a typology. Despite this, the research required a theoretical categorisation with which to draw case studies to research. The UK represented a neoliberal system, Germany a corporatist system and the Czech Republic a post-socialist system. Identifying these 'ideal types' was necessary in order to ensure an effective comparison of different national systems; however there is likely to be variation present within those grouped in the same categories in the literature.

For example, post-socialist countries have societal systems of production that were largely transformed in the early 1990s. Indeed capitalism has no single formation, and neither did state socialism (Stenning, 2004). State socialism revealed similarly different profound differences across space and time, with a generalist experience that could only be claimed on a broad systemic level (Kornia, 1992). Based on this diversity, the Central and Eastern European (CEE) countries have been constructing their own variation on the general theme of capitalism. While systemic change from state socialism to liberal democratic capitalism displayed many similar elements across CEE countries, important differences exist in terms of employment policy and labour market developments. CEE countries each have their own particular economic and social histories and differ in terms of size, economic strength and position within global markets, which has led to a series of geographically uneven post-socialist transitions (Stenning, 2004). As such, research should move beyond the Czech Republic as one example of a post-socialist TSI, to explore others.

A second avenue would be to explore countries beyond the European region. While some research has been carried out about temporary staffing in the USA (Peck and Theodore, 2007a) and Japan (Coe et al, 2012), much less is known about other countries. For many countries the TSI in still in a process in emergence or early development, and over time, as the industry matures, there will be more national temporary staffing industries to research. Within the global economy, developments in BRIC (Brazil, Russia, India and China) countries may lead to development for the TSI. Preliminary research into the Brazil (Watts, 2011a) and China (Watts, 2011b) indicates potential for growth of the TSI within these regions. As this thesis has been limited to only three case studies, it would be valuable to explore conditions of other the TSI, in other institutional contexts. 'Studying the dynamics of employment thus also involves the analysis of social relations at different geographical scales from the local to the global' (Wills et al., 2000:1523). Therefore, a third avenue could turn research focus to the regional or local labour market for the TSI; the national face of the TSI may be a culmination of the regional activities that occur in each country.
Furthermore, beyond exploring the TSI in addition unexplored national contexts and from alternative spatial scales, there are a number of key issues which affect European labour markets and could impact on the operations of the TSI. Therefore, a fourth future research avenue would be to consider the impact of globalisation on the operations of temporary staffing agencies. Coe, et al. (2007a, 2011a) have written on the global expansion of the industry, and this thesis has sought to consider the development in three particular cases. However, as more transnational temporary staffing agencies seek to expand their presence across markets it would be pertinent to explore the role of transnational temporary staffing agencies themselves hybridizing labour market systems through their activities, and the extent to which they attempt to transport their business model into new markets, and if these efforts are successful.

This thesis has focused on the national institutional arrangements and has the national operations of the TSI, however, national borders for many workers (those from the EU for example) do not represent a barrier. The migration of workers across national contexts may also have an impact on the operations of the TSI. The role of temporary staffing agencies in facilitating migration has been explicitly highlighted as an area to be explored (Coe et al., 2010). Within the EU workers can move between countries with relative ease, and with continued enlargement of the EU in (2004 and 2007) there is an even greater workforce which could be potentially migrate. Furthermore, the Euro-zone crisis has prompted increased migration from countries with particularly high unemployment rates, including Greece, Spain, Portugal and Italy (WSJ, 2012). It would be interesting to investigate if the TSI has had any role in facilitating such migration, or if it has adapted in any ways to cater to the new waves of migrants.

This thesis has highlighted, particularly in the case of the UK, the range of intermediaries emerging in the labour market (for example umbrella companies) and an increase in the use of more flexible working arrangements (for example freelancing. The temporary staffing industry has increasingly sought to professionalize itself – through focusing on more higher margin professional occupations, expanding into executive search, and establishing routes of training for recruitment professionals (such as establishment of the RECs Institute for Recruitment Professionals). An additional research path could examine the extent to which the TSI is seeking to professionalize (in different national contexts), its strategies for engaging professional clients and workers, and the extent to which this is a reflection of the changing demands of the labour market, or the desire of the TSI to shift in function.

Another element of change, which may affect the development of the TSI and the increasing forms of intermediaries, is the use of technology. As internet use began to rise,
and the emergence of online job boards began to take place. Some temporary staffing agencies were concerned about the extent to which this could affect their operation. As mentioned earlier in this thesis, rather than act as a threat to the TSI in many cases technology has been adopted to produce further tools which the TSI can utilise – in the form of online training, collaboration with online job boards, use of social media (LinkedIn, Facebook and Twitter) to expand their audience. Trade association and agencies have even began to use of webinars and online discussion forums to share knowledge about developments in the industry and labour markets. These all represent a transformation in the use of technology as part of the temporary staffing industry. An additional research pathway would be to investigate the extent to which technology is changing the way the TSI operates, in both its physical presence in branches and online. Travel agents as an intermediaries are thought to have experienced some disintermediation through the use of the internet but have adjusted to changing practices (Randles and Mander, 2011), it may be that technology impacts on the TSI also, another element of the changing geographies of temporary staffing.

Finally, this research has focused on the institutions involved in the temporary staffing industry, however, it has paid little attention to the agency of workers themselves. This was a conscious decision made at the beginning of the research as it would be impossible for a piece of research of this length to include all elements of the industry. Workers are however, a vital part of the system, without temporary workers there would be no temporary staffing industry. This research has highlighted some of the preferences of workers for certain employment forms and practices, and provided examples of where workers, particularly in Germany, have moved against the use of temporary agency work. A further research avenue would be to explore the extent to which the actions and decisions of workers affect the activities of the temporary staffing industry, essentially shifting from investigating the ‘agency of agencies’ to the ‘agency of labour’.

In essence, this thesis acts as a starting point to a host of research avenues, exploring other countries, regions, actors and processes of transformation which could further the understanding of the spatially, and temporary variegated operation of the temporary staffing industry.

8.6 Summary

‘The geography of employment breaches the traditional boundaries of human geography, necessarily covering the changing nature of economic activity, the politics of employment regulation and relationships, the evolution of human societies and their cultural forms’ (Wills et al., 2000: 1523).
This thesis explored different national temporary staffing industries in order to examine the variegated nature of their formation and development, but also to further both theoretical understanding of, and empirical research on, the temporary staffing industry (TSI). The critical examination of the industry in the UK, Germany and the Czech Republic revealed distinctly different formations driven by different actors and agendas. The theoretical argument that studying phenomena at the national level, while also taking into account international influences, has been reinforced building, on suggestions that research should focus on variegation present between systems rather than trying to categorise them. In addition, the importance of the labour market and its actors, largely absent from discussions of national systems, and the temporary staffing industry as an element of labour markets, has been reiterated. The complexity and interdependent nature of many of actors involved in the national economic system necessitated the in-depth qualitative study presented here, in order to go beyond inadequate indicative statistics previously presented.

This thesis revealed the institutional context for temporary staffing remains highly nationally distinct in three countries, each with their own complex geographies, interactions and interdependencies. Ultimately, this thesis demonstrates the crucial importance of considering not only agencies, or any one part of the system, but all components and actors as a developing system, whereby in different national contexts different actors represent different agents of change.
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## Appendix 1 List of Interviewees

### Europe

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<td>Trade Union</td>
<td>International Secretary</td>
<td>19/11/10</td>
</tr>
<tr>
<td>78</td>
<td>Trade Union</td>
<td>Chairman</td>
<td>02/12/10</td>
</tr>
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<td>79</td>
<td>Trade Union</td>
<td>Regional Branch Officer</td>
<td>01/12/10</td>
</tr>
<tr>
<td>80</td>
<td>TSI Commentator</td>
<td>Manager Research Institute of Labour and Affairs</td>
<td>20/11/10</td>
</tr>
<tr>
<td>81</td>
<td>TSI Commentator</td>
<td>Research Officer</td>
<td>30/11/10</td>
</tr>
<tr>
<td>82</td>
<td>TSI Commentator</td>
<td>Academic</td>
<td>02/11/10</td>
</tr>
</tbody>
</table>
Appendix 2 Sample Interview schedule

- Can you describe the activities of __________ in the __________?
- How important do you think temporary agency work is for the labour market?
- What do you think are the most important issues at present for temporary staffing agencies?
  - in the __________? in Europe? Globally?
- What areas of the labour market do you place a lot of your workers?
  - Explanation. Areas where there are fewer agency workers? Why?
- Have you noticed any distinct changes in the numbers of temporary workers or the kind of placements you find for workers?
  - If so why?
- How you think the regulation on temporary staffing have impacted on the activities of agencies?
  - Are there any further regulations you would like to see, or changes you would suggest? Why?
- What do you feel could be done to improve the market for temporary staffing agencies?
- Does ______ have any communication with:
  - trade unions?
  - government departments?
  - public employment services?
  - trade associations?
- There is increasing encouragements from government for cooperation between public employment services and private employment agencies, has ______ had any involvement with this?
  - If so why? If not, why not?
- What is ______ view on the European Agency Workers Directive?
- Do you think it is likely to have much impact on the temporary staffing industry in the __________? Europe?
  - Why?
- Do you think that by having this European Agency working directive implemented across Europe that temporary working markets will become more similar across Europe?
- What impact do you think the financial crisis has had on the temporary staffing industry?
## Appendix 3 Regulations for the temporary staffing industry across Europe, 2004-2009

<table>
<thead>
<tr>
<th>Country</th>
<th>Regulation of Temporary Agency Work</th>
<th>Regulatory Changes since 2004</th>
<th>Restrictions on Agency Work</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Austria</strong></td>
<td>1988 Temporary Employment Act (Arbeitskräfteüberlassungsgesetz, AÜG)</td>
<td>2005 Amendment of 1988 Act to cover agency work in the public sector</td>
<td>Limited number of temporary agency workers permitted</td>
</tr>
<tr>
<td><strong>Belgium</strong></td>
<td>Law of 24 July 1987</td>
<td>2005 Reasons for use of TAW extended to facilitate inclusion of disadvantaged workers</td>
<td>Sectoral Ban: Public sector Limited reasons for use of TAW Limited length of assignments</td>
</tr>
<tr>
<td><strong>Bulgaria</strong></td>
<td>No legal basis for TAW. Agency work offered under a contract for services.</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td><strong>Czech Republic</strong></td>
<td>Labour code in October 2004 legalises the use of temporary work. Specifically regulation under Employment Act 2004</td>
<td>2006 Labour code renewed with minor amendments</td>
<td>Limited length of assignments</td>
</tr>
<tr>
<td><strong>Denmark</strong></td>
<td></td>
<td>2007 Removal of licensing requirements for temporary work agencies in the nursing sector.</td>
<td>na</td>
</tr>
<tr>
<td><strong>Finland</strong></td>
<td>Employment Contracts Act 2001, (Chapter 1, section 7; Chapter 2, section 9)</td>
<td>2006 New rules for safety responsibilities concerning subcontractors.</td>
<td>Limited reasons for use of TAW Limited length of assignments</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2007 Use of temporary agency work to be an item for consultation</td>
<td></td>
</tr>
<tr>
<td><strong>France</strong></td>
<td>Labour code 1972 as amended (especially 2005)</td>
<td>2005 Reasons for use of temporary agency work extended</td>
<td>Sectoral Ban: Public Sector Limitation on TAW contract renewals Limited reasons for use of TAW Limited length of assignments</td>
</tr>
<tr>
<td><strong>Germany</strong></td>
<td>Manpower Provision Act (Arbeitnehmerüberlassungsgesetz, AÜG), 1982, revised 2002</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td><strong>Greece</strong></td>
<td>Law 2956, 2001 Requirements for agencies and employment rights Law 3144/2003 Licensing system</td>
<td>na</td>
<td>Sectoral Ban: Construction Limited length of assignments</td>
</tr>
<tr>
<td><strong>Hungary</strong></td>
<td>'Labour leasing' (Munkaerőkölcsönzés) inserted into Labour code, 2001 (amended 2006)</td>
<td>2006 Amendment to Labour Code which requires agencies to provide proof of workers status. Equal pay to apply after six months. Bans in-house temporary staffing agencies. Introduces probation period for agency workers</td>
<td>na</td>
</tr>
<tr>
<td><strong>Italy</strong></td>
<td>Articles 20-28 and Article 85 of Legislative Decree 276/2003</td>
<td>2007 Article 1, sub section 46 of Law 247/2007 abolished the provision of indefinite leasing of workers</td>
<td>Limited number of temporary agency workers permitted</td>
</tr>
<tr>
<td><strong>Luxembourg</strong></td>
<td>Articles 131-134 and 411, 413 of Labour Code, 2006 (first introduced in 1994)</td>
<td>na</td>
<td>Sectoral Ban: Public Sector Compulsory exclusivity of TAW services Limitation on TAW contract renewals Limited reasons for use of TAW</td>
</tr>
<tr>
<td><strong>Malta</strong></td>
<td>Employment Agency Regulations, 1995</td>
<td>2008 Minor tax and encouragement for the unemployed to seek TAW.</td>
<td>Na</td>
</tr>
<tr>
<td>Country</td>
<td>Law/Regulation</td>
<td>Year</td>
<td>Remarks</td>
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<tr>
<td>Netherlands</td>
<td>Law first introduced 1965. Allocation of workers by intermediaries Act (Wet Allocatie Arbeidskrachten door Intermediairs, WAADI) 1998; Flexibility and Security Act 1999; Civil Code (article 7:690) stipulates temporary agency workers entitled to permanent contract after three years of three fixed term contracts. Collective agreements to avoid these stipulations. New ‘NEN-norm’ (4400-1) developed by the ABU and trade unions addressed tax and illegal agencies.</td>
<td>2006</td>
<td>Limited number of temporary agency workers permitted. Sectoral Ban: Sea Shipping Limited reasons for use of TAW</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2007</td>
<td>Further amendments to reinforce safety obligations</td>
</tr>
<tr>
<td>Romania</td>
<td>Law 53/2003 Amendment of Labour Code</td>
<td>2004</td>
<td>Revisions to regulations and licensing arrangements</td>
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<tr>
<td></td>
<td></td>
<td>2005</td>
<td>Revisions to regulations and licensing arrangements</td>
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<td></td>
<td></td>
<td>2007</td>
<td>Revision of health and safety obligations</td>
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<tr>
<td>Slovakia</td>
<td>Act No. 5/2004 Employment Services Act No.31/2001 Labour code</td>
<td>2007</td>
<td>Qualification period for equal pay reduced from six to three months</td>
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<td></td>
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<tr>
<td>Slovenia</td>
<td>Law on Labour Regulations 2003, amended 2007</td>
<td>2006</td>
<td>Distinction between employment and temporary work agencies outlined</td>
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<tr>
<td></td>
<td></td>
<td>2007</td>
<td>Reinforces health and safety obligations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2007</td>
<td>Law 32/2006 limits temporary agency work in construction</td>
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<tr>
<td></td>
<td></td>
<td>2007</td>
<td>Law 30/2007 maintains limitations on temporary agency work in the public sector</td>
</tr>
<tr>
<td>Sweden</td>
<td>Act on Private Job Placement and Temporary Labour, 1993</td>
<td>2007</td>
<td>Voluntary authorization of agencies through an employer association with union confederation (LO) and Salaried Employees Union (HTF) Limited length of assignments</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2007</td>
<td>Further regulation introduced regarding rights of agency workers</td>
</tr>
</tbody>
</table>

Source: Authors compilation from Eurofound: [www.eurfound.europe.eu](http://www.eurfound.europe.eu). [Accessed: 10th June 2010].