



Temporary agency work in the European Union

Résumé

The subject of flexibility at work and in the labour market has been debated over the past ten years by European economic and social policy actors. This leaflet is based on research into temporary agency work in the 15 Member States of the European Union which was carried out by the European Foundation for the Improvement of Living and Working Conditions, culminating in a report, *Temporary agency work in the European Union*. It outlines some of the main trends prevalent in this form of employment and highlights the problems and challenges it raises for each Member State and for the European Union as a whole.

Key findings

- Temporary agency work was the most rapidly growing form of atypical employment in the European Union during the 1990s. In most Member States, the rate of temporary agency work has doubled, while in Denmark, Spain, Italy and Sweden it has increased five-fold.
- Between 1.8 and 2.1 million workers work for temporary agencies in the EU, corresponding to 1.2 % - 1.4 % of the total number of persons in employment. It is estimated that some 6 million persons are employed by a temporary agency at some time each year.
- The rate of temporary agency work varies from one Member State to another. Three countries – the Netherlands, France and the UK – account for about 70 % of the total number in the EU. France has the largest number of such workers (623,000) while the Netherlands has the highest proportion of its workforce in temporary agency employment (4 %).
- Agency work is highly concentrated among young people in the labour force, with those under 25 years of age making up between 20 % and 50 % of all agency workers. However, there is some evidence to suggest that the age profile of agency workers is getting older.
- With the exception of the three Scandinavian Member States, the majority of agency workers are men. This gender distribution is mainly due to the fact that there is a large concentration of this type of work in two main sectors: industry and construction.
- Although in principle agency work has advantages to offer over other atypical employment contracts, in practice it appears to be even more insecure than, for example, limited duration contracts.
- Despite the legal principle in place in several Member States that agency workers must receive equal treatment with those in the user firm, there is evidence of lower pay for similar work and of employment standards regarding pay and working time being circumvented.



Definition of temporary agency work

Temporary agency work combines elements of commercial and employment contracts and brings a third party (the agency) into what is traditionally a two-party relationship. To define temporary agency work: the *temporary agency worker* is employed by the *temporary work agency* and is then, via a commercial contact, hired out to perform work *assignments* at the *user firm*. This definition is a workable definition of agency work in most Member States, with the exception of Ireland and the UK where the contractual status of agency workers is often unclear.

Legal regulation and collective bargaining

There are two means of regulating agency work, the regulation of the business and the labour law regulation of contracts and assignments. The business is primarily regulated by means of licensing and monitoring procedures, and some countries curtail the scope of the agency's activities by, for example, prohibiting recruitment services. In most countries, labour law regulation primarily governs the assignment at the user firm rather than the contract of employment. This is typically the case in Belgium, France, Germany, Italy, Luxembourg, Portugal and Spain. The Netherlands constitutes a distinctive model with little regulation of the business but with job security increasing with time spent at the agency.

Table 1 Temporary agency work in the EU, 1999

	No. of agency workers	Rate of agency work
Austria	24,277	0.7%
Belgium	62,661	1.6%
Denmark	18,639	0.7%
Finland	15,000	0.6%
France	623,000	2.7%
Germany	243,000	0.7%
Greece	0	0%
Ireland	9,000	0.6%
Italy	31,000	0.2%
Luxembourg	6,065	3.5%
Netherlands	305,000	4.0%
Portugal	45,000	1.0%
Spain	109,000	0.8%
Sweden	32,000	0.8%
UK	557,000	2.1%
EU total	2,080,642	1.4%

Sources: National reports and CIETT (2000)

In the UK and Ireland, a different concept of temporary agency work prevails. For example, in the UK, those engaged in what is commonly referred to as agency work may be viewed as employed at the user

firm or the agency or even self-employed. The UK and Ireland have modest specific legislation governing agency work, though several laws do make special provisions for agency workers, for example, regulations dealing with working time in the UK and unfair dismissals in Ireland. The Scandinavian countries (Denmark, Finland and Sweden) have practically no special regulation. The lack of specific legislation means agency work is not a distinct form of employment and must conform to mainstream labour law. Austria shares the liberal regulation of the sector in Scandinavia. However, specific legislation establishes temporary agency work as a specific form of employment. In Greece, agency work is prohibited.

As it is in the nature of temporary agency work to change workplace regularly, often on a daily basis, it is intrinsically difficult to secure collective representation rights for agency workers. Moreover, the dual employer functions tend to complicate the situation further. For these reasons, therefore, collective bargaining is relatively undeveloped in most countries. There are two striking exceptions, the Netherlands and Sweden.

Reasons for growth of the sector

While it is true that some workers express a preference for agency work, there is ample evidence that these are in the minority. The driving force behind the growth of the sector is to be found in the demand from the user firm for this type of labour and the temporary agency's capacity to supply it. There are good reasons to suppose that temporary agency work is a very efficient means of organising various types of economic activity, both from a business and macroeconomic perspective. The most important reasons are:

- Temporary work agencies manage a portfolio of employment opportunities. These opportunities are found in many user firms, which may be located in different economic sectors, and this in turn enhances the potential of the agency to assume more risk than other employers.
- Temporary agency work provides the user firm with a greater degree of numerical flexibility than practically any form of employment contract.
- Temporary agency work provides the possibility of achieving more efficient job matching during the placement period.
- Temporary work agencies offer the opportunity to outsource the recruitment function of the user firm.

Table 2 shows figures from a European survey carried out by CIETT¹ (2000) which found that the majority of firms using TAW did so in order to replace permanent employees (27 %). Other important reasons were seasonal fluctuations (23 %) and unexpected peaks in employment demand (21 %).

¹ CIETT (Confédération internationale des entreprises de travail temporaire) is the international confederation of temporary work businesses

Working conditions

Two features specific to agency work may account for the poor working conditions often experienced by such workers: the frequent change of workplace at user firms and the duality of employer responsibility.

Table 2 Reasons for using temporary agency work (%)

Leave replacements	27
Seasonal fluctuations	24
Unexpected peaks	21
Recruitment	11
Uncertain growth	9
Specialised tasks	4
To do regular work for another reason	3
To do regular work cheaper	1
Total	100

Source: CIETT (2000)

Note: weighted responses. Based on interviews carried out by CIETT in 1999 with 500 clients of TWA companies in France, Germany, the Netherlands, Spain, and the UK.

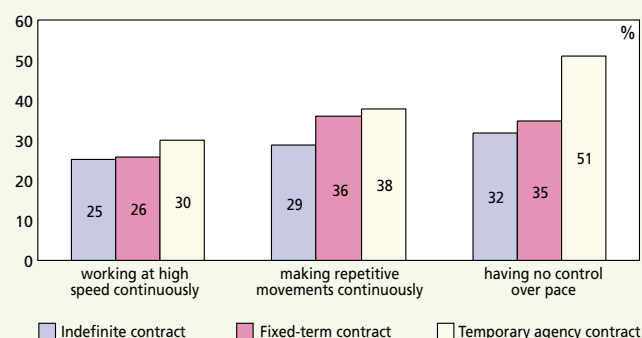
Job insecurity

Temporary agency work is not necessarily associated with job insecurity and such work may be performed with an open-ended contract. However, the empirical evidence, business cycle volatility and contract duration suggest that agency work in most Member States is more commonly associated with job insecurity than, for example, work on a limited duration contract, and this accounts for the negative impact found in previous research. In France the average assignment lasts for about two weeks. In Germany two-thirds of assignments are for less than three months, and in Austria almost half of the assignments are shorter than three months.

Health and safety risks

Nowhere do the difficulties of dual employer responsibility and rapid workplace turnover combine to such potentially problematic effect as in matters of health and safety in the workplace. There is much anecdotal evidence of poor working conditions in agency work, but much less hard evidence. However, the descriptive statistics of working conditions show that in some countries agency work is associated with appreciably poorer working conditions (accidents and health hazards) than other forms of employment. The

Figure 1 Conditions of work, by employment status



research found this to be the case in Belgium and France. Considerably less difference between agency work and other forms of employment was found in the UK and the Netherlands.

The most detailed evidence is to be found in the third European survey on working conditions, carried out by the Foundation in 2000. Compared to work in indefinite and fixed-term employment contracts, temporary agency work has the worst record regarding a number of indicators on working conditions. The survey findings on indicators of work intensity are presented in Figure 1.

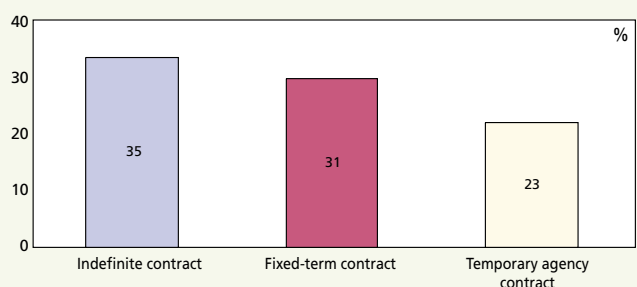
Job autonomy and working time

There is some evidence, also of a descriptive nature, of the lack of autonomy among temporary agency workers with regard to working time and tasks. Temporary agency workers in France were found to experience the least autonomy in this area of all the Member States. The third European survey on working conditions shows that agency workers ranked lower concerning these aspects than workers with other types of employment contract. The survey also testifies to agency workers having shorter working hours, more shift work, less time to do the job and lower overall satisfaction with working conditions than other workers. On a positive note, the survey finds that agency workers are less likely than other workers to view their health as being at risk or to report health problems. There is some evidence to show that temporary agency work can provide working time flexibility in accordance with worker preferences.

Training

Temporary agency workers have fewer opportunities for training than other workers. While the research shows that employers do finance some training for them, this is limited compared to training provision for other employees. Research from the Foundation's Third European survey on working conditions reveals that agency workers receive the least training of all groups (see Figure 2).

Figure 2 Employees who have undergone training paid for or provided by their employer within the past 12 months



Pay

Before mentioning the negative consequences, it should first be pointed out that temporary agency work can sometimes lead to better pay and conditions than those provided for by collective agreement at the user firm. There is evidence in Denmark and Sweden of cases of higher pay for agency nurses, even

if, in Sweden at least, this was driven by labour shortages in the health sector. Moreover, there are other examples from Member States of agency workers benefiting from better pay and working conditions at the upper end of the pay scale.

However, there is widespread evidence in the case of temporary agency workers of avoidance of employment standards regarding pay and working-time regulations, as well as some evidence of illegal abuse. This is particularly the case with pay – the main cause for complaint of agency workers (although this is not necessarily true for all workers). Despite the legal principle in place in several Member States that agency workers should receive equal treatment with those in the user firm, there is evidence of lower pay for similar work and some examples of extremely low pay. A major issue, that could not be fully documented, is remuneration other than wages, such as bonuses and welfare benefits. If agency workers do not receive such remuneration they earn appreciably less than comparable workers at the user firm.

A 'stepping stone' to regular employment?

During the 1990s, temporary work agencies began to be used as an instrument of active labour market policy, in particular as a means of integrating marginal groups, such as the long-term unemployed, welfare recipients, elderly and ethnic minorities, into the labour force. However, there has not yet been an evaluation of these projects in terms of their efficiency as labour market policy measures.

Available data suggests that around two-thirds of agency workers come to the agency from another job.

Only a minority of those recruited were unemployed or otherwise out of the labour force. Around 50% of those who leave the agency find direct employment and around 30% obtain a job in the user firm.

Conclusion

One of the major issues in all forms of temporary work is the apparent conflict between flexibility for employers and employment security for workers. This can partly be resolved with temporary agency work by providing the worker with an open-ended employment contract with the agency and flexible assignments at the user firm. It should, however, be stated that the insecurity due to business cycle volatility still remains, and that, at present, agency work appears in practice to be even more precarious than, for example, limited duration contracts.

If the maintenance of standards of pay and working conditions at the user firm is the major concern, this can be achieved in a number of ways. An ideal solution would be one that provided equal treatment for all: equal treatment in terms of company law for the temporary agency sector, to allow it to pursue profitable opportunities which might be of benefit not only to the sector itself, but also to user firms and to the economy as a whole; and equal treatment for agency workers in terms of their employment status in labour law, providing them with the same level of employment protection as other employees. The final element in this ideal integrated policy package would be to ensure the integrity of standards at user firms by providing agency workers with equal treatment as regards pay and working conditions with other workers in the user firm.

This leaflet was written by Donald Storrie, Director of the Centre for European Labour Market Studies, Sweden, and Ola Persson, research manager at the European Foundation for the Improvement of Living and Working Conditions.

FURTHER INFORMATION

Information about the report, *Temporary agency work in the European Union* (by Donald Storrie), is available on the Foundation's website at www.eurofound.ie/working/tempagency_bk.htm. For further information on this subject, please contact John Hurley, Information Liaison Officer, European Foundation for the Improvement of Living and Working Conditions, Tel: (353 1) 204 32 09, e-mail: joh@eurofound.eu.int.

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EF/02/47/EN



OFFICE FOR OFFICIAL PUBLICATIONS
OF THE EUROPEAN COMMUNITIES

L-2985 Luxembourg

ISBN 92-897-0197-8



9 789289 701976