

# Rationale of Agency Work

European labour suppliers and demanders'  
motives to engage in agency work

Final report

Client: International Confederation of Temporary Work Businesses (CIETT)

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Labour & Social Policy

Rotterdam, December 2002



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# Executive summary

The International Confederation of Private Employment Agencies (CIETT) asked ECORYS-NEI to investigate the reasons why workers and companies engage in agency work in the European Union (EU). The results of that investigation are described in this report.

In analysing these reasons, a distinction has to be made between the perspective of individual suppliers (the agency workers) and individual demanders (the user firms). The conclusions are presented in chapter 4, and are summarised in the table below. This table presents the motives for agency work on both the supply and demand side.

The third column ranks the motives for their relevance on the basis of what has been found from theoretical and empirical literature. In one overview it can thus be seen from the table to what extent agency work can be considered to be relevant for specific actors. The motives are clustered to some 'general' motives. For many motives the contribution of agency work is highly relevant. However, for some functions this contribution has not sufficiently been proved in an empirical way. This is indicated by the term 'not conclusive'.

Table s.1 Reasons to engage in agency work

General motive	Specific motive	Relevance (empirical)
<b>Motives at the supply side</b>		
Work and career-related motives	To find permanent employment	High
	To screen possible employers	Medium
	To gain work experience and increase employability	Medium
	Diversity of work	Low to medium
Labour income motive	In general	High
	To gain additional income to other sources	Medium
Harmonisation with other life spheres	In relation to caring and household duties	Medium
	In relation to (gaps in) education and training	Medium
<b>Motives at the demand side</b>		
Increasing flexibility of workforce	To replace absent employees	High
	To assist in fluctuations in market demands and production flows	High
	To bring in structural buffer capacity	Low (but potentially high)
Recruitment	To screen new staff	High
Assistance to human resources management	(Pre)training, screening, career support, etc.	Not conclusive

# 1 Introduction

## 1.1 Research objective

CIETT asked ECORYS-NEI to investigate the rationale of agency work, for both workers and user firms.

The aim of the investigation is twofold:

1. to explain the reasons to engage in agency work for both (potential) agency workers and user firms, and correspondingly;
2. to outline the labour market position of agency work and agency workers in seven<sup>1</sup> EU countries, and the way this position has developed over the past few years.

The results of that investigation are described in this report.

## 1.2 Research scope

In order to understand agency work we must explain its rationale. The study of labour markets tries to explain both the demand for and the supply of labour. Actors on the demand side of the labour market are the employers, whose recruitment decisions are influenced by conditions in the product market, the capital market and the labour market. On the supply side of the labour market are the workers and potential workers, whose decisions about where (and whether) to work must take into account their other options for how to spend their time.

The same distinctions apply to the labour market for agency work. On the demand side are user firms, and on the supply side are agency workers. Characteristic of this specific market is, however, the role of private employment agencies. They have a matching function, by bringing agency workers and user firms together.

In analysing the motives for agency work we distinguish between the perspective of the (individual) demand side – user firms – and (individual) suppliers –agency workers.

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<sup>1</sup> The countries included are: Belgium, France, Germany, Spain, Sweden, The Netherlands, and The United Kingdom.

### 1.3 Research method

To expound the rationale of agency work (as indicated by the existing motives of the involved groups), as well as outlining the labour-market position of agency work and agency workers and how this has developed over recent years, we collected data from scientific publications on the subject and primary non-converted data. As indicated above, the research focused on seven European countries: Belgium, France, Germany, The Netherlands, Spain, Sweden and the United Kingdom (UK).

Data collection focused particularly on data from surveys of a large number of agency workers that have been carried out in recent years by ECORYS-NEI in The Netherlands, IDEA Consult in Belgium, IWG BONN/EMNID in Germany, CSA – SETT (Syndicat des Entreprises de Travail Temporaire) in France, and WERS and IRS in the United Kingdom. It also focused on a large number of other studies that have been undertaken in the past. These included specific studies, such as Moolenaar's dissertation (2002)<sup>2</sup> on the Dutch market for agency work, and more general studies, such as the overviews of CIETT (2000a)<sup>3</sup> and the European Foundation for the Improvement of Living and Working Conditions (2002)<sup>4</sup>. In addition, we examined data collected by national federations of private employment agencies.

The results of outlining the labour-market position of agency work and agency workers in the seven European countries and the way in which this position has developed over recent years were submitted to the national federations of private employment agencies for testing<sup>5</sup>.

### 1.4 Definitions<sup>6</sup>

The most important characteristic of agency work is the triangular relationship between agency worker, user firm and private employment agency. An agency worker concludes a contract with a private employment agency to be assigned to a user firm, in order to undertake work under the supervision of the latter.

*Agency work* – the contract of employment or employment relationship between a private employment agency and an agency worker for carrying out work in a user firm.

*Private employment agency* ('agency' for short) – any natural or legal entity that provides labour-market services consisting of employing workers with a view to making them available to a third party (a user firm), which assigns a certain part of its tasks and supervises the execution of these tasks by the agency worker.

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<sup>2</sup> Moolenaar, D. (2002), *The Dutch market for agency work*, Dissertation, University of Amsterdam.

<sup>3</sup> CIETT (2000a), *Orchestrating the evolution of private employment agencies towards a stronger society*, CIETT, Brussels.

<sup>4</sup> Storrie, D. (2002), *Temporary agency work in the European Union*, European Foundation for the Improvement of Living and Working Conditions, Dublin.

<sup>5</sup> The results have been discussed with the federations for agency work in all countries. We thank them for their valuable comments and contributions to this research. However, ECORYS-NEI alone is responsible for the content of this report and its appendices.

<sup>6</sup> The definitions mentioned in this section are developed in consultation with CIETT.

*Agency worker* – any person who is employed by a private employment agency on grounds of an employment contract or an employment relationship, to be assigned to work for and under the control of a third party (the user enterprise), which makes use of the services of that person through placement by the private employment agency.

*Assignment* – the period during which an agency worker is placed at a user firm.

## 1.5 Outline of the report

In the next two chapters, the motives for engaging in agency work are discussed. Chapter 2 focuses on the supply side: for what reasons do people accept agency jobs? Research shows that reasons for being an agency worker are diverse. This chapter also tries to find an answer to the question whether different motives correlate with certain personal background characteristics. The discussion of the motives starts in each section with theoretical notions. Based on these theoretical notions, hypotheses on the reasons to work as an agency worker are formulated. The discussion ends with a number of empirical indications. Chapter 3 focuses on the demand side - why user firms choose to hire agency workers. Again, theoretical and empirical notions are presented. Chapter 4 presents conclusions drawn from the research.

Empirical descriptions of the position of agency work in the seven selected EU countries, and the way in which this position has recently developed, are presented in the appendix.



## 2 Rationale of agency work on the supply side: workers' motives for choosing an agency job

### 2.1 Introduction

According to neoclassical economic theory on labour supply, people's decisions on the number of working hours (and more fundamentally to seek paid employment) are ultimately a decision about how to spend time. Economic theory states that each individual aims to maximise his or her utility. The optimal level of utility for individuals depends on their preferences, the number of hours worked, and the wage income. Utility is maximised given a budget constraint, in which the prices of commodities, the number of consumed commodities, the wage rate, the number of hours worked, and other income are included. Maximising utility with respect to the budget constraint results in a labour-supply function in which the preferred number of hours worked depends on the wage rate, other income, and a set of personal characteristics and preferences.

We should realise that the number of hours worked cannot usually be chosen freely, since the number relates to the job and to the contract. However, choosing the number of hours worked by choosing an appropriate job implies that workers and firms are not paired randomly. Consequently, choosing the number of hours by choosing the appropriate labour contract implies that workers and labour contracts are not paired randomly either. A certain number of labour hours may be characteristic to a certain contract.

Two hypotheses can be made in this respect:

1. We can assume that people decide on the working hours before choosing an employment contract. Thus the employment contract depends on the desired number of working hours.
2. We can also assume that people trade off the working hours against spare time. This means that hours are endogenous and that the choice of employment contract must be made first. Thus the number of working hours depends on the employment contract.

The choice of agency work may depend on exogenous factors, which overlap with personal characteristics and preferences. The pursuit of maximisation of utility and optimisation of the number of working hours results in a variety of motives for individuals with respect to work. They have the choice between working in an agency job instead of in a non-agency job or not working at all. In this research we endeavour to explain workers' motives for working in an agency job, and as a result try to explain the functions of agency work for individual suppliers of labour. We have narrowed the research perspective to the motives for choosing agency work instead of non-agency work and non-work, as we consider this perspective to be the most relevant.

These motives refer either to ‘agency work as a conscious choice’ or ‘agency work as a temporary solution because of lack of alternatives, especially in the permanent job sector’. The relevance of these motives for different individuals depends on their specific situation, characteristics and preferences, and also on their economic, social and institutional context.

The following sections present an overview of these motives<sup>7</sup>. The explanation of each motive starts with a theoretical perspective and ends with some empirical indications. Some of the empirical indications refer to the United States (US) labour market. Nevertheless, we feel that these indications – as a supplement to the indications referring to the EU labour market – are valuable attributes in discussion of the role of agency work in the European Union.

We should recognise that, according to economic theory, the motive ‘to gain income’ underlies the decision to work for most workers. This applies also to the decision to work as an agency worker. Other motives relate to the choice of agency work as a particular type of work/contract. These motives are to use agency work as a steppingstone to permanent employment, to gain insight into the working of the labour market in general and the characteristics<sup>8</sup> of the hiring organisation in particular, to gain work experience and/or to increase employability, to have diverse work, and to harmonise work with other activities.

## 2.2 To find a permanent non-agency job

The possibility offered by agency work for getting permanent employment afterwards may form a reason for choosing agency work. An agency job might provide an indirect route to permanent employment. There are three ways in which taking an agency post might lead to permanent employment (see Heather et al, 1996 pp.408-409)<sup>9</sup>.

*1. External route:* exchanging unemployed status for employed status (via a temporary position or a string of such positions) by accepting agency work might improve an individual’s attractiveness for selection to a future permanent position with a different employer. The agency position(s) might:

- finance more extensive job search and travel-to-work radius than could be afforded on benefit;
- demonstrate commitment to the work ethic and the capacity to hold down a job, leading to the acquisition of skills and work experience relevant to a similar permanent position;
- provide the individual with up-to-date work references.

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<sup>7</sup> We do not pretend to provide an all-embracing overview. The motives presented here have been discussed in the literature on a regular basis. However, lesser or non-discussed motives may also underlie the choice for agency work.

<sup>8</sup> Here we refer to working conditions, organisational culture and job characteristics.

<sup>9</sup> Heather, P., J. Rick, J. Atkinson, and S. Morris (1996), Employers’ use of temporary workers, *Labour Market Trends* 104, pp 403-411.

2. *Internal indirect route*: most vacancies are not advertised in the external labour market, but are either filled from within the organisation by promotion/transfer, or by an outsider who is either recommended by a member of staff or alerted to the vacancy by the firm before it is advertised.

In taking an agency position, people might improve their chances through this route in the following ways:

- They might gain access to insider information about future vacancies.
- Social contacts with employees might be established, which could further improve access to information about upcoming vacancies, even after a temporary position has ended. The social isolation of unemployed people has long been recognised as a disadvantage in pursuing such potential openings (White and McRae, 1989<sup>10</sup>, cited by Heather et al, 1996). In particular, narrowing their social contacts to other unemployed people tends to deny them access to such insider information.
- In undertaking an agency job, individuals might make a favourable impression on managers, so that in the future they might be considered for a permanent vacancy. Through acquisition of directly relevant, job-related and employer-specific skills in the temporary position, the necessity for skill-related training for the permanent post might be reduced. Thus, such ‘good prospect’ temporary staff might be lodged on a waiting list, or might simply remain in the memory of the manager until another vacancy arises. Such a route might be more prominent among smaller firms, for whom ‘fitting in well’ is known to be a strong selection criterion, and in which the recruitment preferences of the owner/proprietor are known to count for a lot (Atkinson and Meager, 1993<sup>11</sup>, cited by Heather et al, 1996).

3. *Internal direct route*: Agency workers may be aware of the fact that many employers use the screening opportunities offered by a temporary appointment to select individuals whom they intend to employ on a permanent basis, perhaps in the same or a similar job (see for a further explanation section 3.5). Employers may wish to avoid a ‘hire and fire’ reputation, and may also prefer to contain any internal repercussions of such practices. The opportunity presented by an agency appointment might provide a more acceptable approach to securing the same ends – after all, both sides are aware at the outset of the finite duration of the appointment. The degree of intent on the part of the employer may vary greatly, from a conscious and deliberate screening exercise, through to a wholly pragmatic appointment of a known person who just happens to be on hand when a vacancy occurs.

### **Empirical indications**

*IDEA Consult (2000)*<sup>12</sup>

To describe agency workers’ profiles in Belgium, IDEA Consult has interviewed 2,500 agency workers in Belgium. According to IDEA Consult, finding a permanent employment position is the most important reason for engaging in agency work for almost 52 per cent of the agency workers in Belgium (see table 2.1).

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<sup>10</sup> White, M. and S. McRae (1989), *Young adults and long-term unemployed*, Policy Studies Institute, London.

<sup>11</sup> Atkinson, J. and N. Meager (1995), ‘Running to stand still’, *Employment, the small firm and the labour market*, London: Routledge.

<sup>12</sup> IDEA Consult (2000), *Uitzendkrachten in België: profielanalyse en vinden van vast werk*, IDEA Consult, Brussels.

Table 2.1 Most important reasons for engaging in agency work in Belgium in 1999 (%)

Reason <sup>a)</sup>	Percentage
To find permanent employment	51.9
To earn additional income <sup>b)</sup>	15.4
Other reasons	14.2
Agency work is diversified	7.2
Employee prefers temporary work	5.2
Good earnings	2.9
To pay for study	1.0
No diploma required	0.8
Recommendation of friends	0.8
Unknown	0.6
<b>Total</b>	<b>100.0</b>

a) The categories normally can overlap, however, the respondents were asked for the most important reason and they were only allowed to give one answer.

b) Especially students often mentioned this reason.

Source: IDEA Consult (2000), *Uitzendkrachten in België: profielanalyse en vinden van vast werk*.

#### *IWG BONN/EMNID (1995) <sup>13</sup>*

To describe agency workers' characteristics in Germany, IWG BONN/EMNID has interviewed 802 agency workers in Germany. According to this research, 48 per cent of those who work in an agency job in Germany choose that job because they consider it as a chance to get a permanent job (see table 2.2). Almost no differences can be observed between male and female agency workers in Germany with respect to this motive.

Table 2.2 Reasons for accepting an agency job in Germany (%)<sup>a)</sup>

Reason	Total	Male	Female
I was unemployed	57	61	42
To come in contact with different firms and then trying to find a permanent job	48	48	50
Because I can learn relevant skills on the job	46	44	54
Because I want variety and to meet new people	37	35	46
Because I can only work a few hours	13	12	16
No answer	2	1	3

a) Total of percentages exceeds 100% because more than one answer was possible.

Source: IWG BONN/EMNID.

#### *SETT (2000) <sup>14</sup>*

To find out agency workers' characteristics in France, SETT<sup>15</sup> has consulted CSA. CSA has interviewed 1,149 agency workers in France and asked them to give their most important reasons for choosing an agency job. According to this research, 37 per cent of the agency workers in France are in agency employment because they consider it as a chance to get a permanent job (see table 2.3).

<sup>13</sup> IWG Bonn (1995), *Die wirtschafts-und arbeitsmarktpolitische Bedeutung der Zeitarbeit in Deutschland*, Eppa, Bonn.

<sup>14</sup> SETT (2000), *Provenance, devenir et regard des intérimaires sur l'intérim*, SETT.

<sup>15</sup> SETT is the French federation of private employment agencies.

Table 2.3 Reasons for choosing an agency job in France (%)<sup>a)</sup>

Reason	Percentage
To get a job quickly	53
As a steppingstone to a permanent contract	37
Interested in a job for a short period of time	21
To acquire experience before committing to a permanent job	19
To acquire working experience	19
To keep in contact with the labour market	18
Possibilities for working part-time and the possibility to stop any time	10

a) Total of percentages exceeds 100% because more than one answer was possible.

### *SPUR (2001)<sup>16</sup>*

To describe agency workers' characteristics in Sweden, SPUR has interviewed agency workers working in Sweden. According to this research, 31 per cent of agency workers in Sweden choose to work in an agency job as a steppingstone to a permanent job (see table 2.4).

Table 2.4 Reasons for choosing agency work in Sweden (2001) (%)<sup>a)</sup>

Reason	Percentage
To widen competence	41
Get to know new companies/people	39
Chance to get a permanent job	31
Variation	34
Flexibility	18

a) Total of percentages exceeds 100% because more than one answer was possible.

Source: SPUR.

### *Labour Force Survey UK, 2001*

According to the Labour Force Survey in the UK, 57 per cent of agency workers gave as their main reason for being in an agency job that they could not find a permanent job (see table 2.5). From this we may conclude that they would actually prefer to work in a permanent job.

Table 2.5 Reasons for being in an agency job, UK, 2001 (%)

Reason	Percentage
Could not find permanent job	57
Did not want permanent job	27
Contract included training	*
Other reason	16

\* Sample size too small for a reliable estimate.

Source: Labour Force Survey UK, 2001.

<sup>16</sup> Data provided by SPUR, the Swedish federation for agency work.

*ECORYS-NEI (1993, 1995-2001)*<sup>17</sup>; *Marktplan adviesgroep (1991)*<sup>18</sup>

In the ECORYS-NEI annual research on agency-work inflows into the Dutch labour market for the ABU<sup>19</sup>, ECORYS-NEI asks agency workers for their reasons for accepting an agency job. Each year, around 2,000 agency workers are interviewed.

According to this research approximately half of those who work in an agency job in The Netherlands would actually prefer to work in a permanent job (see table 2.6). This percentage decreased slightly during the nineties, while the percentage of those preferring to work in a temporary job increased slightly.

Table 2.6 Type of work looked for by agency workers in The Netherlands, 1991-2001 (%)

Type of work looked for	1991	1993	1995	1996	1997	1998	1999	2000	2001
Holiday work	27	24	24	22	23	26	22	22	24
Temporary work	36	20	20	21	25	24	26	29	27
Permanent work	36	56	56	58	53	50	52	50	49

Source: ECORYS-NEI (1993, 1995-2001); Marktplan Adviesgroep (1991).

When agency workers are asked for the most important reason – of a range of reasons – for choosing an agency job, 35.3 per cent mention that they hope to get a permanent job afterwards (see table 2.7)<sup>20</sup>.

Table 2.7 Most important reason<sup>a)</sup> for choosing an agency job in The Netherlands (%)

Reason	1995	1996	1997	1998	1999	2000	2001
I actually want a permanent job; agency work is a temporary solution	34.6	34.4	25.1	20.5	24.9	17.7	21.4
I really want a permanent job; agency work is a beginning	15.5	17.5	20.7	22.0	20.4	21.2	13.9
Because of the situation at home, AW is the only possibility	2.9	9.0	2.4	3.3	3.1	3.9	2.8
AW is diverse and that is what I prefer	11.4	8.0	4.7	6.7	7.19	4.7	5.8
Other reason	35.7	31.0	47.1	47.5	5.7	8.1	7.9
I only want additional income					38.7	39.0	44.0
Other						5.3	4.1
<b>Total</b>	<b>100</b>						
<b>Total (n=)</b>	<b>1,113</b>	<b>2,011</b>	<b>2,019</b>	<b>2,108</b>	<b>1,961</b>	<b>1,615</b>	<b>1,714</b>

a) Since the introduction of the phase system, only agency workers in phases 1 and 2 are asked these questions (see appendix, section 9.2.4 for explanation of the phase system).

Source: ECORYS-NEI (1995-2001).

<sup>17</sup> ECORYS-NEI (1995-2001), *Onderzoek instroom uitzendkrachten*, ECORYS-NEI, Rotterdam.

<sup>18</sup> Marktplan Adviesgroep (1991), *Onderzoek instroom uitzendkrachten*, Bussum.

<sup>19</sup> The Algemene Bond van Uitzendondernemingen (ABU) is the Dutch federation of private employment agencies.

<sup>20</sup> This difference can be explained by the fact that only agency workers in phases 1 and 2 have been interviewed on their motives for choosing agency work. On the other hand, agency workers both in phases 1 and 2 and in phases 3 and 4 have been interviewed on the type of job they prefer (permanent, temporary or holiday). Of the agency workers in phases 1 and 2, 46 per cent would prefer a permanent job; of those in phases 3 and 4, 69 per cent (overall average 49% would prefer to work in a permanent job (see section 9.2.4 of the appendix for a description of the Dutch phase system).

ECORYS-NEI makes a distinction between members of disadvantaged groups and ‘average’ agency workers. As table 2.8 shows, the percentage of agency workers looking for a permanent job is even higher among members of disadvantaged groups: older people, long-term unemployed people, minority ethnic groups and disabled people. In 2001, 51 per cent of all agency workers were looking for a permanent job. However, among those aged over 44, 64 per cent were looking for a permanent job; among long-term unemployed people 72 per cent; ethnic minorities 66 per cent; and disabled people 78 per cent.

Table 2.8 Differences in job searching and finding, by disadvantaged groups in The Netherlands (%)

Characteristics	Target groups	1993	1995	1996	1997	1998	1999	2000	2001
Looking for permanent job	People aged over 44	60	65	63	59	58	51	68	64
	Long-term unemployed	71	77	77	74	60	58	76	72
	Ethnic minorities	76	46	61	56	50	45	57	66
	Disabled	83	77	80	76	77	80	79	78

Source: ECORYS-NEI (1993, 1995-2001).

#### *Bernasek and Kinnear (1999)<sup>21</sup>*

Bernasek and Kinnear found that 6.3 per cent of the agency workers who work in an agency job in the US willingly choose this type of work in order to gain permanent employment afterwards. Among those working in an agency job in the US unwillingly, this figure is much higher: almost 56 per cent of these workers choose to work in an agency job because they hope to get a permanent job afterwards.

Table 2.9 Motives for choosing contingent work in the US (%)

Motives for choosing contingent work	Prefer contingent work (N=207)	Prefer non-contingent work (N=258)
Economic <sup>a)</sup>	6.28	55.81
Flexibility	17.87	6.59
Family or childcare responsibilities	6.28	2.33
Attend school/training	44.44	14.73
Obtain experience/training	0.96	5.81
Other personal <sup>b)</sup>	24.15	14.73
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

a) Included in economic reasons are: ‘employed, laid off, and hired back as a temporary worker’; ‘only type of work could find’; ‘hope job leads to permanent employment’; ‘other’.

b) Included in other personal reasons are: ‘money is better’; ‘only wanted to work for a short period of time’; ‘for the money’; ‘other’.

#### *CIETT (2000a)<sup>22</sup>*

This workers survey carried out by Deloitte and Touche Bakkenist on behalf of CIETT, in which 700 agency workers in five EU countries were asked for their main reasons for working for an agency - only indirectly addresses the motive of finding permanent employment. The results show that, naturally, only a small proportion (8%) of the agency

<sup>21</sup> Bernasek, A. and D. Kinnear (1999), “Workers’ willingness to accept contingent employment”, *Journal of Economic Issues*, vol. XXXIII, no. 2.

<sup>22</sup> CIETT (2000a), *Orchestrating the evolution of private employment agencies towards a stronger society*, CIETT, Brussels.

workers who have a genuine preference for agency work mentioned as their main reason for accepting such work ‘could not find permanent job’. However, 39 per cent of those taking an agency job as the first available opportunity ranked this reason as their main one. In this group, this percentage is higher than for any other motive (see table 2.10).

Table 2.10 Main reason for working for an agency, 2000 (%)

Reason	People with genuine preference for agency work <sup>a)</sup>	First available job opportunity <sup>b)</sup>
Gain work experience	19	26
Work for different employers	19	7
Flexible schedule	21	5
Be able to quit	18	5
Work between jobs	9	13
Could not find permanent job	8	39
Work for a short period	6	4
<b>Total (%)</b>	<b>100</b>	<b>100</b>

a) 33% of the sample.

b) 67% of the sample.

## 2.3 To get to know possible employers

The possibilities offered by agency work in getting to know different employers may form a second characteristic in favour of agency work. During the placement period, exchange of information takes place between agency worker and user firm. Through this, workers get a chance to assess the working conditions, the characteristics of the job they work in, and the culture of the organisation. This occurs without any commitment whatsoever as regards a possible future employment relationship. It is without cost to either party (see Storrie, 2002).

### Empirical indications

#### *SETT (2000)*

According to SETT, eighteen per cent of the agency workers in France prefer to work in an agency job in order to keep in contact with the labour market (see table 2.3 above).

#### *SPUR (2001)*

According to SPUR, 39 per cent of the agency workers in Sweden choose to work in an agency job to get to know new companies (see table 2.4 above).

#### *CIETT (2000a)*

According to this workers survey carried out by Deloitte and Touche Bakkenist (DTB) on behalf of CIETT in 2000, nineteen per cent of the agency workers who had a genuine preference for agency work mentioned as their main reason ‘work for different employers’. By contrast, only seven per cent of those who took the agency job as the first available opportunity mentioned this reason as their main one (see table 2.10).

## 2.4 To gain work experience and increase employability

In addition to the characteristics mentioned in the previous section, the possibilities offered by agency work for gaining work experience and/or increasing employability might form a characteristic in favour of agency work. In undertaking an agency job, individuals gain work experience that might increase their employability.

### **Empirical indications**

#### *IWG BONN/EMNID (1995)*

According to IWG BONN/EMNID, 46 per cent of the agency workers in Germany choose agency work because they can learn relevant skills on the job (see table 2.2). Notably, women mention this reason more often than men do: 54 per cent of the female agency workers mention it, compared with 44 per cent of the male agency workers.

#### *SETT (2000)*

According to SETT, nineteen per cent of the agency workers who work in France choose this type of work in order to acquire work experience before committing to a permanent job, and another nineteen per cent to increase their work experience in general (see table 2.3).

#### *SPUR (2001)*

According to SPUR, 41 per cent of those working in agency jobs in Sweden have chosen that job because they want to widen their competence (see table 2.4).

#### *Bernasek and Kinnear (1999)*

Bernasek and Kinnear found that only one per cent of the agency workers who are in agency jobs in the US willingly choose that job to obtain work experience or on-the-job training. Among those working in an agency job in the US unwillingly, nearly six per cent do so for that reason (see table 2.9).

#### *CIETT (2000a)*

According to the workers survey carried out by DTB for CIETT, nineteen per cent of the agency workers with a genuine preference for agency work mention as their main reason 'to gain work experience'. This figure is even higher for those who took the agency job as the first opportunity available: 26 per cent (see table 2.10).

## 2.5 To work in a dynamic environment, to have diverse work

The diversity of jobs and functions that private employment agencies offer may also form a characteristic in favour of agency work. By working for such agencies, agency workers may be provided with a range of different jobs. This enables them to try different work and functions, and through that to find the job most suited to their skills and requirements. Agency work also offers a dynamic working environment.

### **Empirical indications**

#### *IDEA Consult (2000)*

To describe agency workers' profiles in Belgium, IDEA Consult has interviewed 2,500 agency workers. 'Agency work is diversified' is mentioned by 7.2 per cent of the agency workers in the sample as a very important reason for working in an agency job (see table 2.1 above).

#### *IWG BONN/EMNID (1995)*

According to IWG BONN/EMNID, 37 per cent of the people working in an agency job have chosen that job because they 'want variety and to meet new people' (see table 2.2 above). This reason is mentioned relatively more by women than by men – respectively 46 per cent and 35 per cent.

#### *SPUR (2001)*

According to SPUR, 34 per cent of those working in an agency job have chosen that job because of the variety it offers (see table 2.4).

#### *ECORYS-NEI (1995-2001)*

According to the ECORYS-NEI annual survey for ABU on agency work inflows into the Dutch labour market, in 2001 5.8 per cent (of the 1,714 agency workers who, according to themselves, belonged to phases 1 and 2)<sup>23</sup> chose an agency job for reasons of diversity (see table 2.7 above). In previous years, fluctuations of 11.4 per cent (1995) to 4.7 per cent (1997 and 2000) have been found for this motive.

## **2.6 To gain (additional) income**

The motive that underlies most workers' decision to work is to gain an income. For some individuals, agency work may provide the scope to gain an income more easily and quickly than through other channels, especially for those with certain disadvantages in the labour market. It may also be that agency work offers (in the short term) higher direct net income than non-agency work.

As well as the motive to earn main income, the wish to earn additional income may also drive people to agency work, for various reasons. People may need to seek extra income because of their situation and financial needs (e.g. students with small scholarships, people with indefinite but part-time contracts). It may also be that legal frameworks for permanent jobs are too restrictive to gain additional income through the regular job. A good example of this may be the prohibition of overtime working, as laid down in laws or collective labour agreements. Under these types of conditions, full-time workers may seek agency work to provide an additional source of income.

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<sup>23</sup> See appendix, section 9.2.4, for an explanation of the phase system.

### Empirical indications

#### *ECORYS-NEI (1995-2001)*<sup>24</sup>

In the ECORYS-NEI annual research on agency-work inflows into the Dutch labour market for the ABU<sup>25</sup>, ECORYS-NEI asks agency workers for their reasons for accepting an agency job. Each year, around 2,000 agency workers are interviewed. As shown in table 2.7, most agency workers want an agency job because they wish to earn additional income (this question was introduced in 1999) or to gain permanent employment afterwards. It should be noted that eighty per cent of the agency workers who wish to earn additional income are students and holiday workers.

#### *IDEA Consult (2000)*

For the agency workers interviewed by IDEA Consult, earning additional income appears to be an important reason for working in an agency job. Of the agency workers in the sample, 15.4 per cent considered this motive as the most important one (see table 2.1). It is noticeable that this motive was mentioned predominantly by people below the age of 25. This can be explained by the fact that most of the agency workers in this age group were students, who preferred an agency job in order to combine work with their studies.

#### *Bernasek and Kinnear (1999)*<sup>26</sup>

According to Bernasek and Kinnear, 55.8 per cent of those who work in an agency job unwillingly in the United States do so for economic reasons. Among those who work in an agency job willingly, this proportion is lower: 6.3 per cent. Note that ‘for economic reasons’ is used as a container motive; it also includes motives such as: ‘employed, laid off and hired back as an agency worker’, ‘only type of work could find’, and ‘hope job leads to permanent employment’ (see table 2.9).

## 2.7 To harmonise work with other life spheres

The flexibility that agency work offers to combine work with other life spheres may constitute another characteristic in favour of agency work. One aspect of the supply of agency work is the trade-off between hours and wages. Compared with permanent workers, agency workers have more freedom in choosing the hours worked. While permanent workers usually have a fixed number of hours per week, laid down in a labour contract, agency workers can choose their working hours by selecting the most suitable agency job. The choice is obviously easier when the economy is booming: when there are many agency jobs on offer, agency workers can make such a choice. When there is less work on offer, agency workers may be forced to take on a job with more or fewer than the preferred number of hours (or be unemployed). In theory, permanent workers can also choose a job, which has the preferred number of hours, but in practice there is little variety in the number of working hours of permanent jobs.

<sup>24</sup> ECORYS-NEI (1995-2001), *Onderzoek instroom uitzendkrachten*, ECORYS-NEI, Rotterdam.

<sup>25</sup> The Algemene Bond van Uitzendondernemingen (ABU) is the Dutch federation of private employment agencies.

<sup>26</sup> Bernasek, A. and D. Kinnear (1999), ‘Workers’ willingness to accept contingent employment’, *Journal of Economic Issues*, vol. XXXIII, no. 2.

The idea of being able to choose the number of working hours may be very appealing. One group of people for whom agency work may be very attractive are women with children. Compared with permanent and fixed-term contracts, the flexibility of agency work offers attractive possibilities for combining work with caring duties, and for gaining (extra) income.

Students are another group of people for whom agency work may be very attractive. Working for a private employment agency can be a good way of combining studies with a job.

### **Empirical indications**

#### *Moolenaar (2002)*

In her dissertation on the Dutch market for agency work, Moolenaar (2002) formulates and estimates a model for the supply of agency work. The dataset underlying the estimates contains characteristics of 16,938 workers, both agency and non-agency. The model includes two equations, one for the supplied number of hours and the other for weekly earnings. Moolenaar investigates whether agency and regular workers make a trade-off between number of hours and earnings, or whether earnings are a consequence of the hours worked. The earnings and labour-supply equations are combined with an endogenous choice for agency work.

It appears that, in particular, married women, people with children and non-EU citizens show different behaviour with respect to agency work and regular work. Moolenaar explains this with the argument that for all these groups agency work fulfils certain needs that regular work cannot.

#### *Bronstein (1991)<sup>27</sup>*

In his research on agency work in Belgium, France, Germany, Italy, The Netherlands, Spain, Sweden and the UK, carried out between 1988 and 1990, Bronstein (pp298-299) concludes that the motivations of agency workers are very diverse. He argues that it is true that many of them hope, through agency work, to find a permanent position. But for approximately one-third, temporary work is their first choice. According to Bronstein this group includes: (a) workers with specialised skills (e.g. nurses, translators, bilingual secretaries, computer operators, book-keepers), who use agencies as a kind of rapid mediation service for temporary jobs; (b) married women trying to reconcile occupation and family responsibilities; (c) 'nomadic' workers who enjoy a change of working environment from time to time; and (d) young people looking for 'a little job' and the pin-money that goes with it. In all four cases, these are the 'permanent agency workers', for whom temporary work is a way of life, at least during a certain stage in their lives, and for whom the private employment agency is a sort of business agent.

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<sup>27</sup> Bronstein, A.S. (1991), *Temporary work in Western Europe: Threat or complement to permanent employment?*, *International Labour Review*, vol. 130, no. 3.

*Bellaagh and Isaksson (1999)*<sup>28</sup>

Bellaagh and Isaksson (cited by Bergström, 2001<sup>29</sup>) found in an empirical study of female agency workers in Sweden that the voluntariness of working for a private employment agency has an important impact on the attitude towards work. The results showed that voluntary agency workers put more emphasis on family and private aspects of life than on work, and that their choice of working for a private employment agency is related to an ambition to combine better the two aspects of life. Work makes it possible to balance the relationship between the different life spheres. The economic outcome is less important, and therefore it is meaningful for them to work in this way. On the other hand, for involuntary agency workers, work is a more important aspect of life. They value traditional security factors such as income and career more than the voluntary agency workers do.

*Bernasek and Kinnear (1999)*

Bernasek and Kinnear have carried out several logistic regression analyses to explore the notion of workers' willingness to work in agency jobs in the US, in order to determine whether or not people who are in contingent<sup>30</sup> jobs but would prefer permanent jobs are significantly different from those who are in contingent jobs willingly. Using data from the 1995 Contingent Worker Supplement to the Current Population Survey (a monthly survey of a representative sample of approximately 56,000 US households), they found that their hypothesis – that such workers possess different personal and job characteristics – cannot be rejected. Contingent workers who would prefer a permanent job to their temporary job are more likely to be non-white; married; have higher levels of education; have higher incomes; be employed in farming, fisheries and forestry; participate in their employer's pension plan; and are in contingent jobs for economic reasons.

Table 2.9 shows that of those who are willingly in an agency job in the US, 6.28 per cent work in that job because of the possibilities for combining work and caring duties. Of those who prefer non-contingent work, 2.33 per cent work in an agency job because of family or childcare responsibilities. Of those who are in agency work willingly, 44.44 per cent prefer an agency job because of the possibilities for combining work and school. Of those preferring non-contingent work, 14.73 per cent have an agency job because of the possibilities for combining work and school.

*IWG BONN/EMNID (1995)*

According to the findings of IWG BONN/EMNID, thirteen per cent of those who work in an agency job have chosen that job because they 'only want to work a few hours a week' (see table 2.2). It is likely that these people prefer to combine their agency job with other duties.

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<sup>28</sup> Bellaagh, K. and K. Isaksson (1999), *Uthyrd men fast anstalld, Arbete och halsa vetenskaplig skriftserie*, National Institute of Working Life, 1999:6.

<sup>29</sup> Bergström, O. (2001), *Does contingent employment affect the organisation of work?*, NUEWO working paper.

<sup>30</sup> In this paper a broad definition of contingent employment is used. It includes all workers who do not expect their jobs to last indefinitely, with the qualification that among the self-employed and independent contractors, only those who had been in their current arrangements for one year or less and expected them to last less than another year or less were included.

*SETT (2000)*

According to SETT, ten per cent of the agency workers choose this type of job because of the possibilities that agency work offers for working part-time and/or to quit any time they want (see table 2.3).

*CIETT (2000a)*

According to CIETT working on a 'flexible schedule' is the most important reason for those who genuinely prefer agency work – 21 per cent of this subgroup. Other flexibility reasons are embedded in the motives 'be able to quit' and 'work for a short period' – eighteen per cent and six per cent respectively for the same subgroup. Naturally, motives are ranked differently for the (larger) group of agency workers who have taken an agency job as a first opportunity. For them, these three motives are less important and amount to about fourteen per cent in total.

## 3 Rationale of agency work on the demand side: user firms' motives for hiring agency workers

### 3.1 Introduction

Neoclassical economic theory states that if an organisation is maximising profits and it chooses to supply some output  $y$ , then it must be minimising the costs of producing  $y$ . If this were not so, then there would be some cheaper way of producing  $y$  units of output, which would mean that the firm was not maximising profits in the first place.

This simple observation turns out to be quite useful in examining organisational behaviour in general and labour demand at the organisational level in particular. It is convenient to break up the profit-maximisation problem that firms deal with into two stages (Varian, 1990<sup>31</sup>):

1. In what way do firms minimise the costs of producing any desired level of output  $y$ .
2. Which level of output is indeed a profit-maximising level of output.

As to the reasons why agency work may be a suitable means of allocating labour to work for profit-maximising organisations in both competitive and non-competitive market environments, we argue that they predominantly relate to these two stages: cost minimisation and output adjustments.

The pursuit of profit maximising in general and cost minimisation and output adjustments in particular results in a variety of motives for organisations to hire agency workers. The relevance of these motives for different types of firms/organisations depends on the specific situation of the firm as well as on the economic, institutional and political context. These motives are explained in the following sections. The first motive is to replace absent employees, the second to supplement firms' labour force, the third to bring in structural flexibility (buffer capacity), the fourth to recruit new personnel, and the fifth to support and advise the user firm's human resources management. For each motive, some theoretical perspectives on the possible influence of agency work on firms' pursuit of profit maximisation are given, followed by some empirical indications. Both theory confirming and theory contradicting the indications are discussed.

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<sup>31</sup> Varian, H.R. (1990), *Intermediate Microeconomics, A modern approach*, Norton & Company, New York.

## 3.2 To replace absent employees

Replacement of absent personnel is the first – and most traditional – motive for firms' use of agency workers. In order to continue production in situations where the efforts of a firm's labour force are not sufficient (for instance because of illness or holidays), agency workers can be hired.

Using agency workers instead of hiring new staff for replacement is cost-effective, since no hiring and firing costs are incurred with the use of agency workers. In addition, arrangements to engage these workers can be made in a very short time period.

### Empirical indications

*Delmotte, van Hootegem and Dejonckheere (2001)*<sup>32</sup>

According to Delmotte, van Hootegem and Dejonckheere of HIVA (who interviewed 3,309 employers in Belgium in 2000), replacement of current personnel is the second most important reason for firms to hire agency workers in Belgium (see table 3.1).

Table 3.1 Reasons given by user firms in Belgium for engaging in agency work contracts (%)

Reasons	1997	1998	2000
Temporary expansion as a result of peak load	40.3	35.2	33.3
Replacement of current personnel (illness, vacation, pregnancy)	33.8	32.8	28.5
Means of recruiting personnel	12.5	13.5	18.2
Specialised tasks	6.4	7.6	15.3
More flexibility in the workforce*	4.4	4.7	-
Other reasons	2.6	6.2	4.7

\* 'More flexibility in the workforce' was no longer an answer category in 2000. This should be taken into account when comparing the figures for 2000 with figures for previous years.

Source: Delmotte, J., G. van Hootegem, and J. Dejonckheere, *Hoe werven bedrijven in België in 2000*, HIVA, Katholieke Universiteit Leuven.

*Arbeidsinspectie (Labour Inspection) (1991)*<sup>33</sup>

In a special survey focusing on agency workers, the Dutch Arbeidsinspectie (Labour Inspection) asked employers in The Netherlands for their motives for using flexible labour. The results are summarised in table 3.2. The most important motives for hiring agency workers are replacement of regular employees and meeting peaks in production.

<sup>32</sup> Delmotte, J., G. van Hootegem, and J. Dejonckheere (2001), *Hoe werven bedrijven in België in 2000?*, HIVA (Hoger Instituut voor de Arbeid), Katholieke Universiteit Leuven.

<sup>33</sup> Arbeidsinspectie (1991), *Flexibele arbeidskrachten en de arbowet*, Arbeidsinspectie.

Table 3.2 Reasons given by user firms in The Netherlands for engaging in agency work contracts (%)<sup>a)</sup>

Type of flex-work	Agency work	Temporary labour	Call labour
Means of recruiting personnel	50	85	17
Peaks in production	64	18	64
Replacement of regular employees	62	13	58
Temporary work	62	22	41
Seasonal work	34	24	34
Restricting number of employees	23	14	24
Insecurity of workplace	12	12	4
Minimise risks with respect to sickness personnel	8	7	3

a) Total of percentages exceeds 100% since more than one answer was possible.

Source: Arbeidsinspectie (1991), *Flexibele arbeidskrachten en de arbowet*.

### *Interconnection Consulting Group (2000)*<sup>34</sup>

The Interconnection Consulting Group (ICG) interviewed one hundred German companies (selected from 200 top companies) on the main reasons for hiring agency workers. The reasons given are summarised in table 3.3.

Table 3.3 Reasons given by user firms in Germany for engaging in agency work contracts (%)<sup>a)</sup>

Reason	Percentage
Meeting a temporary increase in workload/enabling firm to meet tight deadlines	41
Performing work that is inherently temporary (e.g. seasonal work)	41
Temporary replacement of an employee who is absent through sickness or maternity leave	30
Temporary replacement of a permanent employee who is on vacation	29
To find employees with specialist skills that are only needed for a short period, or for special projects	4
Filling in until a permanent post is filled	4
Other reasons	6

a) Total of percentages exceeds 100% since more than one answer was possible.

Source: Interconnection Consulting Group (2000).

According to ICG, temporary replacement of current personnel is the most important reason for firms to hire agency workers in Germany (30% because of sickness and maternity leave, 29% because of vacations).

### *WERS (1998)*<sup>35</sup> and *IRS (1998)*

Both the WERS 1998 survey and a smaller survey conducted by Industrial Relations Services (IRS, 1998) in the UK suggest that traditional reasons for using agency workers continue to predominate. Short-term cover for staff absences and vacancies is by far the biggest category (60%) in the WERS survey (see table 3.4).

<sup>34</sup> Interconnection Consulting group (2000), *Der deutsche Zeitarbeitsmarkt: Aktuelle Situation und Perspektiven*, München.

<sup>35</sup> Workplace Employee Relations Survey (WERS).

Table 3.4 Reasons given by user firms in UK for engaging in agency work contracts (%)<sup>a)</sup>

Reason	Percentage
Staff absences and vacancies	60
Matching staff to peaks in demand	38
Inability to find permanent staff	19
Maternity or holiday leave	16
Need to fill specialised skills	12
Freeze on permanent staff	11

a) Total of percentages exceeds 100% since more than one answer was possible.  
Source: WERS (1998).

### *Spanish Labour Ministry yearly statistics on agency work (1997-2000)*

These statistics are elaborated and published by the Spanish Ministry of Labour and Social Affairs on the basis of inputs by private employment agencies. The most important reasons why user firms in Spain engage in agency work contracts are for replacement of current staff and for matching staff to peaks in demand (see table 3.5).

Table 3.5 Reasons given by user firms in Spain for engaging in agency work contracts (%)<sup>a)</sup>

	1997	1998	1999	2000	2001
Work or service <sup>b)</sup>	32.88	32.25	40.89	43.63	42.93
Circumstances of production <sup>c)</sup>	58.50	60.13	52.51	51.26	51.45
To substitute employees with a right to job reservation	7.70	6.59	5.48	4.09	4.63
Short-term solution during recruitment procedures	0.92	1.03	1.12	1.02	0.99

- a) The figures are based on the number of contracts between private employment agencies and user firms.  
b) This type of contract refers to a special task for which an agency worker is hired. If this task is finished, the agency contract ends.  
c) This type of contract refers to, for example, a peak load in activities or the replacement of current staff. The agency contract ends when this reason for use is no longer in effect.

Sources: <http://internet.mtas.es/estadisticas/annuario/ETT/ett03.html>  
<http://internet.mtas.es/estadisticas/annuario99/ETT/ett03.html>  
<http://internet.mtas.es/estadisticas/annuario01/ETT/ett03.html>

### *Fridén et al (2000)<sup>36</sup>*

According to Fridén et al, who interviewed 1,141 user firms in Sweden on their motives to use agency workers, absenteeism, temporary increase in labour demand or seasonal variation form the most important reasons for user firms to hire agency workers (see table 3.6).

<sup>36</sup> Fridén, L., Y. Hedén, and E. Wadensjö (2000), *Personalluthyrningsforetag – en bro till arbetsmarknaden?*, Bilaga 2 till Mangfaldprojektet, Naringsdepartementet, Stockholm, 2000, and published in: *Temporary agency work: national reports, Sweden* (2002), European Foundation for the Improvement of Living and Working Conditions.

Table 3.6 Reasons to hire agency workers in Sweden in 2000 (%)

Reason	Very important	Quite important	Less important	Not at all important	Total
Due to absenteeism, temporary increase in labour demand or seasonal variation	54	14	3	2	17
To fill positions for a period longer than one year	6.3	18	24	16	17
As a probationary period	7	20	20	18	16
To lower wage or other costs	4	17	20	24	16
To obtain access to special competencies	2.5	26	11	7	17
To save training costs	3	6	23	32	16
<b>Total (n=)</b>	<b>272</b>	<b>259</b>	<b>342</b>	<b>268</b>	<b>1,141</b>

Source: Fridén et al (2000).

#### *CIETT (2000a)*

CIETT carried out a survey among five hundred user firms in five EU countries. The findings on reasons for using agency workers are presented in table 3.7.

Table 3.7 Reasons given by user firms for hiring agency workers (in % of agency workers)

Reason	Country					Average
	France	Germany	Netherlands	Spain	UK	
To temporarily fill vacancies or replace absent staff	29.0	24.8	27.0	22.1	31.8	27
To absorb seasonal fluctuations, etc.	28.4	25.6	24.8	18.1	21.0	23
To absorb peaks, etc.	24.3	24.9	10.4	29.9	16.0	21
To deal with economic cycles	7.9	10.8	10.9	4.1	16.0	10
To fulfil specialised tasks	1.0	3.4	5.0	6.8	7.4	4
For recruitment	7.5	8.0	17.1	12.0	6.7	11
Because they are cheaper	0.0	0.7	1.3	0.4	4.4	1
Other reasons	2.0	1.8	3.5	6.5	3.6	3
<b>Total (%)</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: CIETT (2000a).

From this study, it is apparent that replacing absent staff because of illness, holidays etc. is the most important reason for user firms in these EU countries to hire agency workers. On average, this reason accounts for 27 per cent of the assigned agency workers (1999). There are small differences among the five countries: the lowest figure is in Spain (22%) and the highest is in the UK (32%).

### 3.3 To supplement a firm's labour force

Supplementation or adaptation of a firm's labour force is the second motive for hiring agency workers. The use of agency workers is often regarded as an opportunity to enhance a firm's ability to adapt its labour force to changes and fluctuations in market demand. The adaptation or supplementation of the labour force because of incidental increases in demand can be distinguished as a *cyclical*, a *seasonal*, and a *sporadic* component.

The use of agency workers to adjust production to cyclical, seasonal or other non-structural increases in demand can be considered as expected supplementation. The use of agency workers for exceptional work can be considered as sporadic supplementation. This form of supplementation is usually unexpected.

Engaging agency workers to adjust the labour force to cyclical and especially to sporadic increases in market demand can be considered as cost-effective, as an increase in production will usually result in a decrease in the average level of fixed costs. On the other hand, variable costs will usually increase. However, these variable costs can be tuned better to production levels.

In this respect the uncertainty factor should be mentioned. Uncertainty about the required input of production factors – including labour – and related costs is inherent to sporadic increases in production. However, firms usually want to control uncertainty as much as possible. This uncertainty can be controlled more efficiently by using agency workers than by hiring new personnel.

Another disadvantage of continuous hiring and firing of permanent workers – in order to adjust production levels to market demand – is that this may make it more difficult for the organisation to recruit permanent employees in the future. Individuals who desire permanent employment may be unwilling to work for an organisation with a history of extremely unstable employment. Employing agency workers may thus be a way to avoid bad will in the labour market (Bergström, 2001)<sup>37</sup>.

#### **Empirical indications**

##### *Delmotte, van Hootegem and Dejonckheere (2001)*

According to Delmotte, van Hootegem and Dejonckheere of HIVA, temporary expansion as a result of peak load is the most important reason for firms to hire agency workers in Belgium (see table 3.1 above).

##### *Delagrange (2001)*<sup>38</sup>

Delagrange of STV Innovatie & Arbeid came up with the same finding: increased workload is the most important motive on the demand side in Belgium. There is, however, a considerable difference between blue and white-collar workers.

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<sup>37</sup> Bergström, O. (2001), *Does contingent employment affect the organisation of work?*, NUEWO working paper.

<sup>38</sup> Delagrange, H. (2001), *Uitzendarbeid in de Vlaamse industrie*, STV Innovatie & Arbeid.

The STV study shows that the top three motives for hiring blue-collar agency workers are:

1. adaptation/supplementation of the labour force because of peak activity (61%);
2. recruitment (47%);
3. replacement (40%).

In contrast, the top three reasons for hiring white-collar agency workers have a different order:

1. recruitment (51%);
2. replacement (42%);
3. absorption of peak activity (19%).

The study also found that firms with large peaks in their production are more frequent users of agency work. However, this does not imply that all firms with peaks in their activity make use of agency work, or that firms without peaks do not request agency work. According to the STV study, several characteristics of peaks (duration, frequency, magnitude, predictability) have little or no influence on the intensity of the use of agency work.

#### *Arbeidsinspectie (1991)*

The results of the Arbeidsinspectie survey to find out hiring organisations' motives for using flexible labour in The Netherlands are shown in table 3.2 above. As indicated, the most important motives for hiring agency workers are the replacement of regular employees and meeting peaks in production.

#### *Interconnection Consulting Group (2000)*

According to ICG, temporary expansion in production as a result of peak load is the most important reason for firms to hire agency workers in Germany (see table 3.3 above).

#### *WER (1998) and IRS (1998)*

According to the WERS and IRS survey in the UK, 38 per cent of user firms hire agency workers to match staff to peaks in demand (see table 3.4 above).

#### *Spanish Labour Ministry yearly statistics on agency work (1997-2000)*

According to these statistics, the most important reason why user firms in Spain engage in agency-work contracts is changes in circumstances of production due to (temporary) adaptations in production (see table 3.5 above).

#### *Fridén et al (2000)*

According to Fridén et al, absenteeism, temporary increase in labour demand or seasonal variation form the most important reasons for user firms to hire agency workers in Sweden (see table 3.6 above).

#### *CIETT (2000a)*

In its survey of five EU countries, CIETT found that 23 per cent of agency workers are hired by user firms to absorb seasonal fluctuations (with Spain the lowest, at eighteen per cent, and France the highest at 28 per cent). Another 21 per cent of agency workers are hired to absorb peaks in production (with The Netherlands the lowest at ten per cent and

Spain the highest at thirty per cent). A further ten per cent of agency workers are hired to deal with uncertainty in economic cycles and fluctuations in market demand (with Spain the lowest at four per cent and the UK the highest at sixteen per cent). These figures indicate that seasonal, and hence more predictable, fluctuations are the major reason for contracting agency workers (see table 3.7 above).

#### **Empirical indications on specialised, exceptional tasks**

*Delmotte, van Hootegem and Dejonckheere (2001)*

According to Delmotte, van Hootegem and Dejonckheere of HIVA, 15.3 per cent of user firms in Belgium use agency workers for specialised tasks.

*Interconnection Consulting Group (2000)*

According to ICG, only four per cent of the organisations that use agency workers in Germany consider ‘finding employees with specialist skills which are only needed for a short period or for special projects’ as an important reason to hire agency workers (see table 3.3 above).

*WERS (1998) and IRS (1998)*

According to the WERS and IRS survey, twelve per cent of UK user firms hire agency workers to fill specialised skills (see table 3.4 above).

*Spanish Labour Ministry yearly statistics on agency work (1997-2000)*

According to these statistics, almost 43 per cent of user firms in Spain hire agency workers for specialised tasks (2001) (see table 3.5 above).

*Fridén et al (2000)*

According to Fridén et al, 25 per cent of the user firms in Sweden consider the reason ‘to obtain access to special competencies’ as very important, and 26 per cent as quite important. Only seven per cent consider this reason as not important at all (see table 3.6 above).

*CIETT (2000a)*

CIETT found in its survey of five EU countries that only four per cent of agency workers are hired because of their specialised, mainly high-level, skills. The figure is even lower in France (1%), but somewhat higher in the UK (7%) (see table 3.7 above).

### **3.4 To bring in structural flexibility – buffer capacity**

In addition to replacement and supplementation, the provision of buffer capacity is also a motive for firms to use agency workers. Contrary to the previously mentioned motives, the provision of buffer capacity relates to a *structural* demand for flexibility in the labour force. Here, the use of agency work is permanent, regular and planned.

This motive results from the need to manage a climate of increased economic uncertainty. Casey et al. (1989)<sup>39</sup> state that “in the face of an economic climate characterised by a higher degree of uncertainty, greater volatility in demand for their output and increased pressure to decrease labour costs to a minimum, employers are seeking to build in to their workforces an element of numerical flexibility”.

By using agency workers on a permanent basis, flexibility is guaranteed on a continual basis. This means that small shocks in production can be absorbed on a permanent basis. It also means that continuous hiring and firing of permanent workers does not occur. As indicated above, this avoids bad will with potential employees.

### Empirical indications

#### *Delmotte, van Hootegem and Dejonckheere (2001)*

In the study by Delmotte, van Hootegem and Dejonckheere of HIVA, firms were asked which flexibility instruments might be used in case of fluctuations in demand. From this survey, it appears that firms combine several flexibility strategies in order to cope with increases or decreases in demand (see table 3.8). On average, in 2000 firms made use of 2.8 flexibility instruments. The use of agency workers is mentioned as the fifth most important instrument.

Table 3.8 Use of flexibility strategies, % of all firms (ranking of strategies in brackets)

	1997	1998	2000
Part-time work	33.3 (1)	33.8 (1)	44.2 (1)
Temporary contracts	26.5 (4)	30.4 (2)	39.9 (2)
Overtime	23.7 (6)	24.8 (6)	36.2 (3)
Students	29.5 (2)	29.2 (5)	35.2 (4)
Agency workers	26.3 (5)	29.5 (3)	34.5 (5)
Subcontracting	21.2 (7)	22.7 (7)	24.4 (6)
Temporary unemployment	13.6 (9)	12.3 (10)	22.2 (7)
Flexible working weeks (weekly hours fluctuate during the year)	12.4 (10)	15.8 (8)	19.1 (8)
Pools (flexibility with respect to function or department)	27.4 (3)	29.3 (4)	16.7 (9)
Other strategies (e.g. assistance of family, volunteers)	18.6 (8)	14.9 (9)	8.1 (10)
<b>Average number of strategies per firm</b>	<b>2.3</b>	<b>2.4</b>	<b>2.8</b>

Source: HIVA (2001) *Hoe werven bedrijven in België in 2000?*

#### *Delagrange (2001)*

According to a recent study by Delagrange of STV Innovatie & Arbeid, firms differ in the number of flexibility instruments they use, depending on their need for flexibility. Industrial firms with a large need for flexibility are more intense users of agency work, but they are also users of alternative flexibility instruments.

<sup>39</sup> Casey, B. R. Dragendorf, W. Heering, G. John (1989). *Temporary Employment in Great Britain and the Federal Republic of Germany*, International Labour Review, vol. 128, nr. 4, p. 449-466.

### *Arbeidsinspectie (1991)*

According to Arbeidsinspectie, 23 per cent of user firms in The Netherlands indicate that an important reason to use agency work is to restrict the number of permanent employees. Apparently, they prefer to have a flexible labour force on a structural basis.

### *Golden and Appelbaum (1992)<sup>40</sup>*

In looking at the growth of agency work in the US in the 1980s, Golden and Appelbaum have examined the influence of three factors generally believed to have contributed to this phenomenon. These are: demographic factors, especially the increased labour-force participation of married women; increased volatility in the demand for output; and declines in the bargaining power of workers and the reduced influence of unions. Their results suggest that it is forces affecting the demand for labour, rather than those affecting the supply of labour, that are responsible for the rise in agency employment. Forces such as intensified competition in the product market, volatility in product demand, and the decline in the relative bargaining power of labour have led firms to take advantage of the short-run labour-cost saving of creating more agency jobs. Their findings suggest why agency-job growth accelerated in the 1980s as more firms employed a ‘core-periphery’ human resource strategy.

### *WERS (1998) and IRS (1998)*

Table 3.4 (above) –resulting from the WERS and IRS survey- shows that in a more strict interpretation, about thirty per cent of user firms refer to building buffer capacity (‘inability to find permanent staff’ –19%; freeze on permanent staff – 11%).

### *CIETT (2000a)*

In its survey of five EU countries, CIETT has found that ten per cent of the user firms indicate that they would probably use private employment agencies for managing fluctuations (see table 3.7).

## 3.5 To recruit new personnel

By using agency workers, organisations are able to recruit potential employees. The employer gets a chance to assess the capabilities and inputs of the agency worker, who may be considered as a potential employee. This occurs without any commitment or engagement as regards a possible future employment relationship. The screening is without costs to the hiring firm. Hence, it can be considered as very cost-effective. In section 2.2 was already stated that agency workers may be aware of the fact that many employers use the screening opportunities offered by a temporary appointment to select individuals whom they intend to employ on a permanent basis.

### **Empirical indications**

#### *Delmotte, van Hootegem and Dejonckheere (2001)*

According to Delmotte, van Hootegem and Dejonckheere of HIVA, recruitment of personnel is the third most important reason for firms to hire agency workers in Belgium

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<sup>40</sup> Golden, L. and E. Appelbaum (1992), “What was driving the 1982-88 boom in temporary employment?”, *American Journal of Economics and Sociology*, vol. 51, no. 4.

(see table 3.1 above). More detailed information on the relative importance of agency work as a recruitment channel is given in table 3.9.

Table 3.9 Recruitment channels, as % of filled vacancies

	1995	1996	1997	1998	2000
Own personnel	17.6	14.6	14.4	17.3	20.8
Relations firm	21.6	20.0	19.3	18.3	20.2
Spontaneous applications	18.0	19.4	17.8	19.9	15.6
Schools/educational institutes	6.2	6.1	7.7	7.0	6.8
Advertisements	34.5	30.6	36.5	32.7	36.7
Private employment agency	9.1	8.8	13.3	13.8	15.8
Unemployment agency	17.3	19.7	22.9	18.1	26.3
Recruitment agency	4.1	5.4	2.6	3.8	2.7
Own website	-	-	-	-	3.9
Jobsite	-	-	-	-	7.2
Other channel	1.2	0.3	0.6	1.1	2.0
<b>Average number of channels per filled vacancy</b>	<b>1.30</b>	<b>1.25</b>	<b>1.35</b>	<b>1.32</b>	<b>1.58</b>

Source: HIVA (2001) *Hoe werven bedrijven in België in 2000?*

Table 3.9 shows that agency work was the fifth most important channel of recruitment in Belgium in the year 2000. Its share increased dramatically between 1995 and 2000 (from 9.1% to 15.8%). A remarkable finding is that this channel is used more frequently to hire permanent employees (with an indefinite contract) than for employees with a contract of fixed duration. For permanent jobs, agency work is the fourth most important hiring channel.

#### *Delagrange (2001)*

According to the recent study by Delagrange of STV Innovatie & Arbeid, more than half of the hiring of blue-collar workers in industry in Belgium is realised through agency work. Of all blue-collar workers who were hired permanently during one year (1999), 53.6 per cent worked as an agency worker in the same firm before getting a permanent position.

#### *Arbeidsinspectie (1991)*

According to Arbeidsinspectie, recruitment of personnel is the fourth most important reason for organisations to hire agency workers. Of the hiring organisations involved in the Arbeidsinspectie research, fifty per cent consider recruitment as an important motive for hiring agency workers.

#### *Fridén et al (2000)*

According to Fridén et al, forty per cent of user firms in Sweden consider the reason 'as a probationary period' as 'quite important' or 'less important' (see table 3.6).

#### *CIETT (2000a)*

In its survey of five EU countries, CIETT found that eleven per cent of agency workers were assigned with the explicit aim of recruiting new employees (the figure was lowest in the UK – 7% – and highest in The Netherlands – 17%) as can be seen in table 3.7.

### 3.6 To support and advise human resources management of a user firm

The last motive mentioned is the assistance given by private employment agencies to user firms for their human resources management. This partnership does not imply that only recruiting, selecting, and placing of temporary workers can be put out to agencies. It also implies that private employment agencies offer extra services to user firms, for instance by means of training and career support. This may in the first place apply to the agency workers they have registered, but also to the employees of their client user firms.

#### **Empirical indications**

##### *Delagrange (2001)*

This survey of Belgian industry by Delagrange of STV Innovatie & Arbeid came up with several motives which are not determining a firm's demand for agency work, but which are nevertheless important in the strategy of a firm. The supply of extra services (e.g. training, counselling, advice), which are more and more offered by private employment agencies, is such an example.

In addition, according to Delagrange, a large proportion of industrial firms in Belgium (45%) are convinced that a private employment agency is the most suitable partner for the personnel department of the firm.

##### *CIETT (2000a)*

CIETT found in its survey of five EU countries that many companies would in the future (continue to) use private employment agencies for solving their personnel problems. Potentially, a sizeable minority would use them for providing additional services: 21 per cent for supervising internal transfers, twenty per cent for managing external fluctuations, fourteen per cent for managing mobility pools, thirteen per cent for outplacement handling, ten per cent for managing internal fluctuations and eight per cent for outsourcing human resources administration. It should be mentioned that small companies are under-represented in the survey. These types of services by agencies are more relevant for bigger companies.

## 4 Summary and conclusions

CIETT asked ECORYS-NEI to investigate the motives for agency work in the European Union. The results of that investigation are described in this report. In analysing the socio-economic functions of agency work, a distinction has been made between the perspective of individual suppliers (the agency workers) and individual demanders (the user firms).

The research has relied on theoretical and empirical perspectives and data from international scientific literature on the subject. It should be stressed that data and empirical research results for various EU (and other) countries are greatly influenced by differences in methodology, content of questions, and theoretical concepts used. Moreover, countries differ widely from each other as to their labour legislation in general and their legal framework for agency work in particular. All this influences the administrative figures as well as survey results. Hence one should be prudent in comparing data from various EU countries. The main conclusions are set out in the following sections of this chapter.

### 4.1 Supply side

The theory of labour supply presumes that individuals in general and those who wish to offer their labour will strive towards maximisation of their utility. Potential workers will therefore weigh the income, number of hours and requirements of the type of labour contract according to their personal preferences. The particular characteristic of an agency-work contract is that it allows for high flexibility in the choice of the number of working hours and duration of the contract. This makes it particularly relevant for certain groups in the labour market who need such flexibility.

Workers' pursuit of utility maximisation results in a number of motives for working as an agency worker. We have distinguished three aggregate motives: (1) work and career related, (2) income related, and (3) oriented to harmonising work with other activities.

#### **Work and career related motives**

The *first motive* relates to *agency work as a steppingstone to permanent employment*. An agency job may provide an indirect route to permanent employment, either with the agency or with another company. Empirically, it emerged that this motive is the most important for the great majority of agency workers in the EU countries of Belgium, The Netherlands, the United Kingdom and Germany; in France and Sweden, this reason is considered as the second most important. In addition, agency workers in the US also consider this reason as very important.

The *second motive* relates to *agency work as an information channel*. The possibility offered by agency work to become acquainted with various employers is a characteristic in its favour. During the placement period, agency workers have the chance to assess the working conditions, the characteristics of the job, and the culture of the organisation. We did not find many empirical indicators regarding this motive. However, in France, eighteen per cent of agency workers prefer to work in an agency job in order to keep in touch with the labour market. In Sweden, 39 per cent of agency workers choose an agency job to get to know new companies.

The *third motive* relates to *the desire to gain work experience and thus increase employability*. In undertaking agency jobs, people gain work experience, which increases their employability. Empirically, it emerged that agency workers in Germany and Sweden in particular consider this a very important reason.

The *fourth motive* relates to *the pursuit of diversity*. The diversity of jobs and functions offered by private employment agencies is specific to agency work. Working for private employment agencies offers agency workers a range of different jobs and enables them to try various positions and select their preferred option. Empirically, it was revealed that a small proportion of agency workers in Belgium and The Netherlands choose agency jobs because this enables them to work in a dynamic environment with a range of work on offer. In Germany and Sweden, this motive seems to be more important for choosing an agency job.

#### **Labour income related motive**

The *fifth motive* is the *desire to gain income*. This may be the general motive of any worker who decides to enter the labour market. It may also be more specific in the sense that people apply for agency work in order to gain additional income. Regarding the latter, empirical evidence suggests that this motive is valid for a substantial minority of agency workers. Holiday workers and students are the most dominant categories of agency workers with this motive.

#### **Harmonisation motive**

The *last motive* is *the aim of harmonising work with other activities*. The flexibility offered by agency work for combining work with other activities (e.g. schooling or caring duties) is a characteristic in favour of agency work. Empirically, it emerged that approximately ten to fifteen per cent of agency workers in Belgium, France, Germany and The Netherlands choose to work in an agency job because it enables them to combine work with other activities. It also emerged that greater preferences for agency work rather than regular work are mainly found among married women, people with children, and non-EU citizens – groups for whom agency work fulfils certain needs that cannot be met by regular work.

## 4.2 Demand side

What motivates user firms to hire agency workers? This can be explained by the neoclassical economic theory, which states that companies aim for cost minimisation and profit maximisation. This leads to a variety of motives for user firms to hire agency workers. The relevance of these motives for different types of organisations depends on their (production) aims as well as on the economic, institutional and legal context. Three aggregate motives were distinguished: (1) related to increasing flexibility, (2) related to recruitment, and (3) related to human resources management.

### Flexibility motive

The *first motive* is *to replace absent employees*. Using agency workers instead of hiring new personnel is cost-effective, as no hiring and firing costs are involved. In addition, the introduction of these workers can be arranged in a very short time. Empirically, it has emerged that this is the second most important motive for user firms to hire agency workers in Belgium, The Netherlands, Germany, Spain and Sweden. In the UK, this motive is the most important.

The *second motive* is *to supplement a firm's labour force*. The use of agency workers is regarded as an opportunity to enhance a firm's ability to adjust its labour force to changes and fluctuations in market demand. Empirically, it is apparent that the motive of temporary expansion as a result of peak load is one of the most important reasons for companies to use agency workers in all the EU countries studied, except the UK. In Belgium, striking differences between the use of blue and white-collar workers have been observed.

The *third motive* is *to introduce structural flexibility or buffer capacity*. Empirical data gained from investigations in Belgium, The Netherlands, the UK and the US indicate that about a quarter of user firms hire agency workers to create buffer capacity.

### Recruitment motive

The *fourth motive* refers *to recruitment*. By using agency workers, organisations are able to recruit new employees. Empirical research indicates that in Belgium and The Netherlands in particular, this reason is considered important for using agency workers, in Belgium especially for recruiting blue-collar workers.

### Human resources management motive

The *last motive* is *to provide support and advice for a user firm's human resources management*. Regarding this motive, it was found that many companies would in the future (continue to) use private employment agencies for solving their personnel problems. In addition, a sizeable minority would potentially use them for providing additional services.

Taking into account all the motives explained theoretically and empirically in this chapter, we conclude that most user firms in the EU-countries studied use agency workers for traditional reasons – i.e. to enhance the firm's ability to adjust its labour force to changes and fluctuations in market demand, and to replace absent employees. However, other less traditional reasons are becoming increasingly important, particularly the

motives to recruit new employees and to bring in structural flexibility or buffer capacity. As Donker van Heel (2000)<sup>41</sup> concludes in analysing the development of user firms' motives to use agency workers in The Netherlands, the rise of 'relatively new' motives can be explained by 'learning-effects' with respect to the use of agency work; the more and the longer user firms use agency workers, the more rational user firms will become in using them.

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<sup>41</sup> Donker van Heel, P. A. (2000), "Inleenmotieven van werkgevers", *Bedrijfskunde*, jaargang 72, nr. 4.

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## Data sources

Listed below are the organisations that provided only data, or data separated from other information. Also mentioned are the names of surveys.

- ABU Algemene Bond Uitzendondernemingen (federation for agency work in The Netherlands)
- AETT Asociación Estatal de Empresas de Trabajo Temporal (federation for medium-sized private employment agencies in Spain)
- AGETT Asociación de Grandes Empresas de Trabajo Temporal (federation for large-sized private employment agencies in Spain)
- BMG Bostock Marketing Group
- BZA Bundesverband Zeitarbeit Personal Dienstleistungen EV, (federation for agency work in Germany)
- CBS Centraal Bureau voor de Statistiek, Arbeidsrekeningen 1969-1993 (The Netherlands)
- CBS Centraal Bureau voor de Statistiek, Nationale rekeningen 1993-2002 (The Netherlands)
- CBS Centraal Bureau voor de Statistiek, Kwartaalbericht commerciële dienstverlening 1995-2002 (The Netherlands)
- FAF-TT Fonds d'Assurance Formation du Travail Temporaire (France)
- Federgon formerly UPEDI (federation for agency work in Belgium)
- INSEE Institut National de Statistique et des Etudes (France)
- Institut Plus Consultants (France)
- IRS Industrial Relations Services survey (UK)
- Spanish Labour Ministry yearly statistics on agency work (1997-2000)
- Labour Force Survey 2001, UK

- MES-DARES      Ministère de l'Emploi et de la Solidarité, Direction de l'Animation de la Recherche des Etudes et des Statistiques (France)
- MTAS            Ministerio de Trabajo y Asuntos Sociales (Spain)
- REC              Recruitment and Employment Confederation (federation for agency work in Great Britain)
- SPUR            Swedish federation for agency work
- SETT             Syndicat des Entreprises de Travail Temporaire (federation for agency work in France)
- UNEDIC        Union Nationale Interprofessionnel pour l'Emploi dans l'Industrie et le Commerce (France)
- WERS            Workplace Employee Relations Survey (UK)