



Adapting to Change

How private employment services
facilitate adaptation to change,
better labour markets and decent work



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BCG

ciett
International Confederation of
Private Employment Agencies

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THE BOSTON CONSULTING GROUP

The Boston Consulting Group (BCG) is a global management consulting firm and the world's leading advisor on business strategy. It partners with clients in all sectors and regions to identify their highest-value opportunities, address their most critical challenges and transform their businesses.

The BCG customised approach combines deep insight into the dynamics of companies and markets with close collaboration at all levels of the client organisation. This ensures that clients achieve sustainable competitive advantage, build more capable organisations, and secure lasting results.

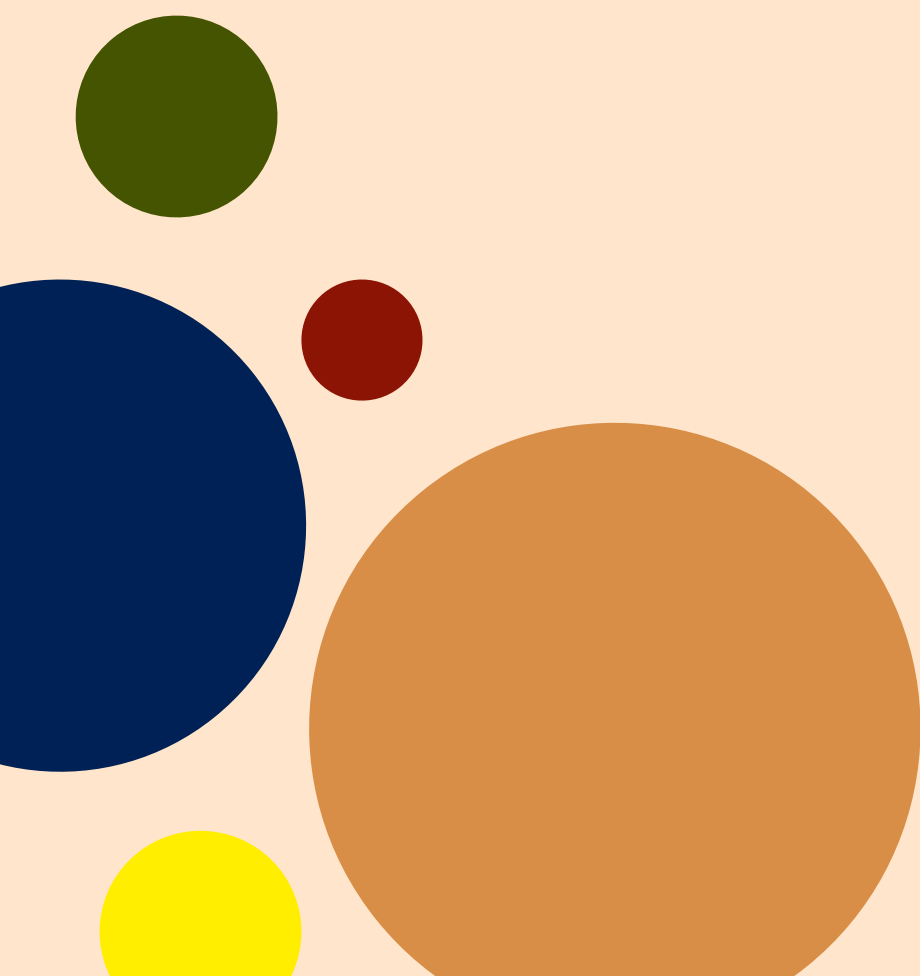
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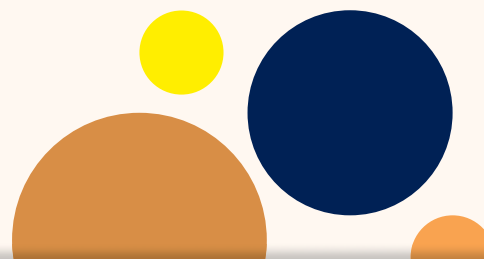
CIETT

As the voice for labour choice, Ciett is the authoritative organisation representing the interests of the organised and well regulated private employment agency industry across the world. Recognised as such by international organisations (e.g. EU institutions, International Labour Organisation, OECD, World Bank), Ciett represents the industry at large (bringing together 46 national federations) and its diversity (representing seven of the largest multinational staffing companies as well as tens of thousands of SMEs). Ciett recognises the vital role that private employment services play in helping organisations, economies and individuals facilitate adaptation to change, and their capacity to increase labour market participation, reduce unemployment, build better labour markets and deliver decent work. However, Ciett also recognises that inadequate regulation and a small number of disreputable agencies can prevent the industry from fulfilling its potential. The right environment and level of appropriate regulation, collaborating with policy makers, trade unions and user organisations to improve the governance and quality standards of the industry across the world.

Ciett operations are organised across the globe through regional entities. Eurociett represents the private employment services in Europe, Clett&a in South America and Asiociett in Northern and Southern Asia/Pacific. Through their network of 169,000 branches and their 741,000 permanent employees, Ciett members employ 9 million workers (daily full time equivalent) on a yearly basis. They deliver services through the full spectrum of human resources: including temporary agency work, recruitment, interim management, executive search, outplacement and training. Ciett promotes the contribution of millions of agency workers to our economy. Representing reputable private employment agencies, members of Ciett refuse to compete at the expense of workers' rights and work hand-in-hand with governments and trade unions to fight illegal work and social dumping. Ciett also aims to promote and increase quality standards within the agency work industry, through Codes of Conduct and other means of self-regulation. For more information, please visit www.ciett.org

Executive Summary





Private employment services support companies and workers in adapting to seasonal and cyclical changes in the economy. The sector provides innovative and reliable solutions that enable organisations, whether public or private, to manage seasonal fluctuation in demand and adapt their workforce needs accordingly. Cyclical fluctuations, while less predictable, are increasingly a fact of life as economies alternate between periods of positive and negative growth. Private employment services have developed as part of the solution to meet an increased volatility in labour demand and to support organisations in adapting to the impact that each cycle has on their employment levels.

However, the increased incidence of structural changes in recent years has brought a new set of challenges to economies and labour markets. Globalisation, demographic evolution, sectoral and IT shifts, unpredictability and complexity combined with new attitudes to work have resulted in economies across the world experiencing deep structural shifts. For labour markets, the consequences are severe: persistent high level of unemployment (which hits young people disproportionately hard), the need for new skills for new jobs, low occupational and geographic work mobility, a risk of segmentation of labour markets, low labour market participation rates (especially for women and older workers) and the need to reconcile diverse forms of labour relations with decent working conditions.

As leading service providers, private employment agencies are well placed to enable adaptation to these structural changes. With its international reach and specialised market knowledge, the sector facilitates adaptation to change in labour markets that are becoming increasingly complex, volatile and unpredictable.

The Boston Consulting Group/Ciett study finds that the private employment sector stands for a number of characteristics that help labour markets to remain and become more efficient, and making it a valuable employment partner for governments, companies and workers in the decades to come.

PRIVATE EMPLOYMENT SERVICES ENABLE ADAPTATION TO CHANGE IN INCREASINGLY VOLATILE AND COMPLEX LABOUR MARKETS

Economic cycles are becoming more volatile, resulting in a constant tension between job creation and job destruction. Adapting labour markets to these new dynamics is one of the greatest challenges societies face today. In this new, complex reality of employment markets, the role of labour market intermediaries is crucial. Workers and employers need an intermediary to react immediately to better match supply with demand and ensure that maximum levels of labour market participation are maintained.

Standing as a partner in sound economic times, private employment services enable labour markets to adapt when economies are facing changes. The industry reduces time lags between recovery and job creation. It also helps companies to adapt better and faster to economic cycles. The sector provides effective workforce solutions that enable employ-

ers to seize opportunities and manage fluctuations effectively. It increasingly offers an array of professional services to deliver work solutions ranging from consulting and recruiting to HR services and outsourcing.

Research shows that those organisations which strategically combine internal flexibility with the use of agency work to address fluctuations in demand appear to be best placed to manage increasing volatility and react to market opportunities.

For workers, private employment services offer a variety of work contracts that meet the new diversity of expectations and attitudes to work. The sector combines the flexibility that many of today's workers are looking for with the security that they also need. It enables the creation of more work opportunities for people and allows jobseekers to quickly find a job. It also helps people to acquire and develop their skills and competences, contributing to both sideward and upward mobility in the labour market.

FACTUAL EVIDENCE

- When plotted against the overall employment rate, **the private employment services industry picks up several months earlier in times of recovery.**
- **Private employment services reduce the time-lag between recovery and job creation:** There is a one-to-one correlation between the evolution of the number of agency workers assigned and the evolution of GDP.
- When asked about the main reason they decided to work through private employment agencies, 60% of agency workers in France answered **“to find a job quickly”**.
- The majority of agency workers from the UK (66%), Poland (60%), Netherlands (58%) and Belgium (52%) agree with the statement **“agency work helps in having a balanced life”**.

PRIVATE EMPLOYMENT SERVICES REDUCE BOTH STRUCTURAL AND FRICTIONAL UNEMPLOYMENT

As labour market intermediaries that increase transparency, the private employment services contribute to reducing the two dimensions of unemployment: structural unemployment - by creating new jobs and skills; and frictional unemployment - by ensuring a better and faster match between supply and demand in labour markets.

The sector is an engine of job creation and increases the range of job options available. It contributes to matching supply with demand in the workplace and is able to do this on a global scale, addressing the emerging mismatch of talent and demand between geographies and sectors.

With labour markets in perpetual motion, jobs are being both created and destroyed on a constant and

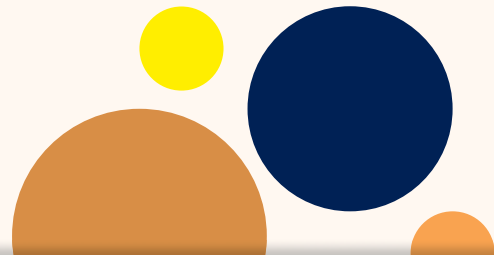
daily basis. In this dynamic context, active labour market policies with strong cooperation between public and private employment services are needed if economic growth and inclusive labour markets are to be maintained.

The ability of private employment services to deliver jobs ahead of the classic job creation curve makes the sector an important partner in managing fluctuations effectively. Private employment services actually start to create jobs even at very low levels of GDP growth and effectively jump-start economies.

In addition, by providing an organised and regulated form of flexible work, responsible private employment services contribute to eliminating the most precarious forms of employment: illegal and undeclared work.

FACTUAL EVIDENCE

- **Unemployment and agency work rates follow inverse patterns:** The higher the agency work penetration rate, the lower the unemployment rate.
- **Private employment services create jobs:** In the USA, private employment services provided 401,000 new jobs in 2010, the largest annual growth posted since 1994. In Europe, since the low point of the economic crisis in 2009, the sector has provided up to mid 2011 at least 900,000 new jobs on top of the 3 million agency workers that have remained employed throughout the downturn. This builds on the performance during the period from 2002 to 2007 when there were 1.3 million new jobs in the industry.
- **Agency work does not substitute permanent contracts:** 74% of user organisations would not consider hiring permanent workers as an alternative to taking on agency workers and 62% of them would not have created jobs if they had no access to private employment services.



- **Private employment services contribute to reducing undeclared work:** There is an inverse correlation between the level of illegal economic activity and the level of agency work penetration. In Italy, agency work was introduced legally by the government in 1998 as a means to fight undeclared work. In Belgium, private employment services play a key role in distributing “services cheques” turning undeclared domestic cleaning staff into formal workers.
- In Australia, recognising the efficiency of the private sector, **the government has completely outsourced its public employment services to private and non-profit organisations.** Compared with the situation before outsourcing, the current system is showing about three times the output performance with approximately one third of the costs.

PRIVATE EMPLOYMENT SERVICES DRIVE DOWN SEGMENTATION OF LABOUR MARKETS

Segmentation of labour markets can be characterised by a low level of participation and low geographical and occupational mobility. The transition function that private employment services provide is crucial in maintaining inclusive labour markets with high levels of participation.

By identifying where employment needs exist and matching them with labour supply, private employment services provide a stepping-stone function that enables people to transition from education to work, from unemployment to employment and from job to job. They also enable people to transition from part-time work to full-time work (and vice-versa) and between sectors in line with economic demand.

This role of “transition agent” is particularly relevant among young and disadvantaged groups (e.g. ethnic minorities, women returning to the labour market, older workers). This is because private employment services provide easy access to the labour market

(they assist job seekers in finding the right position), allow employers to recruit these disadvantaged workers with a low risk (probation period) and offer contractual arrangements that meet the constraints of this group of workers (need to gain confidence again by working part-time or for a limited period of time at the outset).

By contributing to reducing illegal work and providing work opportunities for people who are furthest away from employment, the PrES industry plays a key role in maximising labour market participation, therefore contributing to a more inclusive society.

FACTUAL EVIDENCE

- **An estimated 12 million workers in Europe** each year use the services of private employment agencies to enter the labour market, change jobs, upgrade skills or move toward permanent positions.
- **Private employment services provide a stepping stone:** In South Africa, just 15% of workers were in jobs before accessing agency work; the figure rises to 61% afterwards. In France, just 11% of workers had jobs before they took up agency work, and this figure jumps to 66% working due to agency work. In Norway, the percentage of people employed jumped from 16% to 65% due to agency work. In Sweden, labour market participation of agency workers rose from 34% to 85%.
- **Private employment services help young people to enter and stay in labour markets:** 35% of agency workers in Europe are under 25 years of age. Agency work is often their first opportunity to gain work experience.
- **Target groups benefit from private employment services:** 66% of agency workers were unemployed before seeking help from private employment agencies. In addition,

older workers (over 50 years) represent an increasing share of agency workers: in France and Belgium, the share of older workers as a percentage of agency workers is increasing at twice the rate of older workers in the wider labour market.

- **Across Europe, agency work is recognised as an effective channel to find a first job** (from 92% of population in the UK and 86% in Belgium to 71% in Italy and 59% in Germany) **as well as to find a full-time job** (from 90% in the UK and 78% in the Netherlands to 43% in Germany and 40% in Italy).

PRIVATE EMPLOYMENT SERVICES CONTRIBUTE TO MATCHING AND DEVELOPING THE SKILLS NEEDED IN LABOUR MARKETS

Shifting global demographics are creating a significant mismatch of talent around the world with labour shortages growing in the USA, Japan and Europe while the southern hemisphere is facing the prospect of more workers than jobs – and often, where jobs are available, workers do not have the skills needed. In addition to dealing with seasonal skills fluctuations, the industry enables the adaptation of skills to structural changes.

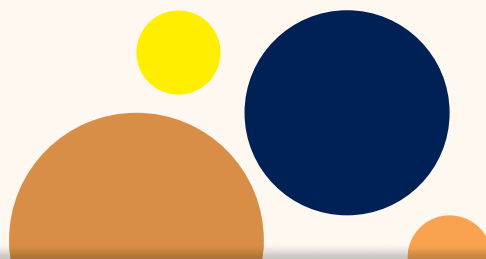
The activities of private employment services not only reflect sectoral shifts but also help economies to adapt to them. The industry is helping workers to move from declining sectors to in-demand ones. By providing access to vocational training, the sector also helps to plug the talent gap and to develop a higher-skilled workforce. Re-skilling and up-skilling lie at the very core of the sector and are central to its role in meeting demand with supply in employment markets.

By acting as an agent for workers, private employment services also help them to access the next assignment and ensure that they can transition

easily to further employment. Vocational training for agency workers is demand-driven and organised in close cooperation with user companies with a short-term and pragmatic approach catering especially well to lower skilled workers. As a result, agency workers can make sideward and upward transitions across sectors and geographies to benefit their career path.

FACTUAL EVIDENCE

- **Private employment services adapt skills to sectoral shifts:** In the USA, the professional sector (i.e. higher skilled agency workers) today accounts for 55% of the staffing market compared with just 36% back in 1995, reflecting the overall demand for a higher skilled workforce. In France, the percentage of agency workers placed in service industries has risen some 10% in the past ten years, reflecting and accompanying the shift to a more services-oriented economy.
- **Private employment services create skills:** In 7 European countries (Belgium, France, Luxembourg, Netherlands, Italy, Spain and Austria), sectoral training funds managed by social partners have been established to facilitate access to vocational training for agency workers. More than €500 million are invested every year by these training funds in schemes specifically designed for agency workers.
- **In the Netherlands, agency workers receive substantially more training than fixed term workers** and regularly undergo training to find new job opportunities. Due to the heavy representation of younger people in private employment services, 70% of agency workers undergoing training are younger than 35 whereas only 50% of permanent workers trained fall within this age bracket.



PRIVATE EMPLOYMENT SERVICES DELIVER DECENT WORK

The challenge for economies around the world is to marry workforce adaptation to change with the need for decent jobs as laid out in the International Labour Organisation's Decent Work Agenda. The organised and regulated private employment sector provides decent work and offers particular advantages when compared with other forms of external flexible work such as on-call work, fixed term contracts and outsourcing which can be very precarious for workers.

Because agency workers are the employees of the private employment agencies (whether temporary or permanent), the sector is in a unique position to negotiate their employment and working conditions. Where relevant, these employment and working conditions are negotiated with trade unions as the agency workers' representatives. Therefore, as the only form of flexible work organised as a sector on its own, the industry itself has concluded a large number of collective labour agreements with trade unions at national level, especially in Europe. As a result, agency workers are being protected by rights negotiated through collective bargaining, whether at sectoral or user-company level.

As such, the private employment sector is an enabler of social innovation. It has organised new ways to secure social protection for workers under labour relations that are different from permanent contracts. In several countries, the industry has developed schemes to ensure the portability and transferability of the agency workers' rights (health insurance, complimentary pension schemes, and vocational training).

In Europe, private employment agencies are often viewed as the embodiment of flexicurity due to their combination of flexibility and security for both companies and workers.

By promoting the need for proper regulation of the industry and encouraging strengthened quality standards, private employment services are respon-

sible employers working towards the sound and sustainable development of the sector. The industry is strongly committed to work hand-in-hand with governments and trade unions to fight abuses and illegal practices arising from untrustworthy, unethical and rogue private employment agencies as all parties have a common interest in doing so.

FACTUAL EVIDENCE

- **The industry is committed to developing constructive social dialogue:** In more than 25 countries around the world (18 in Europe, 7 outside Europe), the use of agency work is being regulated by collective labour agreements, whether negotiated at cross-sectoral, sectoral and/or user company level. In 2010 the Japanese Staffing Services Association (JASSA) signed a joint declaration with Rengo, the Japanese trade union confederation, on how to improve the treatment of agency workers and promote fair practices within the industry.
- These collective labour agreements led to the **establishment of bipartite funds jointly managed by sectoral social partners in several countries**, providing agency workers with extra protection through training (Belgium, France, Luxembourg, Netherlands, Italy, Spain and Austria), health & safety (Belgium, France, Netherlands), pensions (France, Netherlands, Italy, Switzerland) and complementary social benefits (Belgium, France, Netherlands, Italy).
- The **industry works closely with the International Labour Organisation and international trade unions (ITUC, UNI Global)** to promote the adoption of appropriate regulation on agency work in countries where such regulation does not yet exist, putting forward the provisions of Convention n°181 on private employment agencies as guidelines.

- **The industry has developed specific tools to ensure that quality standards and regulation (whether by law or collective bargaining) are being enforced:** In France (CPPNTT), Belgium (CNT) and the Netherlands (SNCU & SNA), bipartite bodies are in place to monitor and ensure compliance with existing regulation of agency work. In Belgium and Portugal, an Ombudsman has been established to deal with complaints from agency workers and to look for remedies. In Sweden and the Netherlands, where no licensing schemes exist, a certification system is in place to check conditions under which private employment agencies operate.
- **When asked about their working conditions, satisfaction among agency workers is very high.** Across Europe, a very large percentage of agency workers would recommend agency work to their family or friends, ranging from 83% in the UK and 76% in Poland to 74% in Belgium, 69% in France, 62% in the Netherlands and 55% in Italy. In France, 91% of agency workers have a positive perception of agency work (more than any other types of public, be they jobseekers, public or private sector workers or students): 93% are happy with their work, 89% with their work-life balance and 79% with their salary.

EFFICIENT LABOUR MARKETS NEED APPROPRIATE REGULATION FOR PRIVATE EMPLOYMENT SERVICES

In many countries, the private employment services industry already plays a key role in facilitating the adaptation to change, be it seasonal, cyclical or structural. However, in several others, the contribution of the sector to enabling change adaptation is still hampered by inappropriate, unbalanced regulation. In some cases, the industry cannot rely on a clear and stable legal environment due to the

lack of legal recognition of this specific triangular employment relationship. In some other cases, the industry still operates in a regulatory framework that was adopted decades ago, at a time when labour markets were substantially different. As a result, private employment services face conditions that are now outdated – such as the limitation of services and labour contracts to be provided, sectoral bans, too limited a number of reasons of use and too limited maximum duration of assignments.

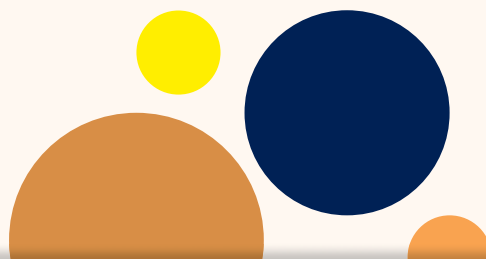
In order to assess how to optimise the contribution of the private employment services industry to better functioning labour markets, The Boston Consulting Group and Ciett have devised two indicators:

- A Regulatory Efficiency Index based on the regulation of private employment services in place in each national market.
- A Labour Market Efficiency Index, based on 6 objective criteria calculated for each country: overall employment rate, employment rate 15-24, employment rate 55-64, annual hours worked, labour participation rate and unemployment rate.

EXPLANATORY NOTE

To explore what would be the optimal regulatory framework for private employment services in order to deliver better functioning labour markets, The Boston Consulting Group and Ciett have identified four main types of environment in which private employment services currently operate:

- 1. Market driven** – Countries where private employment services and labour laws are relatively liberalised and corporations enjoy a high degree of freedom in determining the most suitable form of employment. Self-regulation also plays an important role in this cluster.



2. Social dialogue based – Countries where private employment services and labour laws are strongly influenced by negotiations between the social partners. In this environment social partners have the freedom to determine rules by negotiation.

3. Legislator driven – Countries where private employment services and labour law are mainly determined by government bodies and legislation both at national and regional level, with formal legislation comprising the main basis for labour law.

4. Emerging – Countries where private employment services are still young and labour laws and legislation are still being developed. Legislation is evolving with significant informal work in some cases.

Three important subgroups were identified within the Social Dialogue based environment creating a total of six types of country cluster in which private employment services operate.

When the country clusters are mapped against the Labour Market Efficiency Index, it becomes apparent that labour markets perform differently based on the characteristics of the environment. The market driven and Social dialogue based markets consistently perform better and display greater efficiency than those operating within a legislator driven environment (due to some outdated limitations on services and barriers to entry that the system places on private employment services and the lower capability of social partners to define the appropriate level of regulation). Emerging markets also demonstrate higher levels of inefficiency as their legal frameworks and social systems are still in development and do not enable the private employment services to play a role.

Importantly, the report does not seek to recommend one type of cluster over another. Indeed it acknowledges that there is no “one size fits all” solution and produces strong evidence to suggest that regulation

must be relevant to the culture, values and priorities of the market and its society.

While the private employment services industry has clearly developed differently in each cluster, it is a fact that when appropriately regulated, the sector is able to increase labour market participation by creating jobs, supporting the reduction of illegal work, attracting disadvantaged people to the labour market and allowing for more work opportunities and job options.

FACTUAL EVIDENCE

- **Countries with no specific regulation on agency work, or outdated regulation, rank poorly in terms of Regulatory Efficiency Index** (such as Turkey, Argentina, Chile, Greece, Luxembourg, Spain) while more mature markets in which regulation of private employment services has been developed and adjusted regularly to the needs of the labour markets show top scores (e.g. Netherlands, Sweden, USA, Denmark, UK, Australia, Belgium, Germany, France).
- **Countries showing higher scores of labour market efficiency are the ones where the private employment services industry has been able to operate for many years** (with the notable exception of France). By contrast, countries in which the sector has been opened only recently (e.g. Chile, Eastern Europe) or is still not appropriately regulated (e.g. Mexico, Luxembourg, Spain, Portugal) score lower.
- **Labour market effectiveness greatly influences countries’ competitiveness:** there is a direct correlation between the scores of the Labour Market Efficiency Index and the World Economic Forum Competitiveness Index.

MOVING FORWARD

The report underlines that the industry is uniquely placed to support governments, companies and workers to cope with accelerating dynamics in labour markets and manage change, whether seasonal, cyclical or structural.

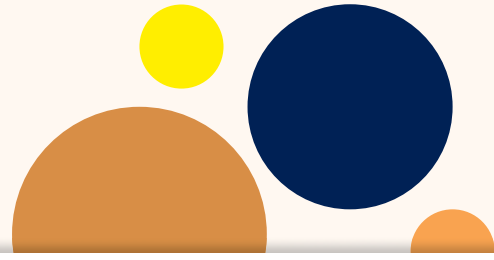
The report makes a number of recommendations for policymakers at international, regional and national level underlining that the private employment services sector can maximise its contribution to sustainable growth and play its role in offering solutions to meet the new economic reality.

1. **Policymakers should ensure that the regulatory framework** in place for the private employment services sector is appropriate thereby enabling it to play its role fully.
 - a. In countries where no specific regulation exists for the industry, a legal framework should be adopted; this could be achieved by using the ILO Convention n°181 on private employment agencies as a framework. Social partners should be closely associated in the definition of such a regulatory framework
 - b. In countries where specific regulation already exists, policymakers should regularly review the conditions and restrictions that apply to the use of private employment services, to ensure that they are not outdated or no longer justified based on the new reality of the labour market.
2. **Policymakers should recognise that the private employment services industry is a sector on its own.** As such, it should benefit from the freedom to collective bargaining and, if relevant, be able to negotiate with trade unions on the level of regulation and working conditions of agency workers.

3. **Appropriately regulated private employment services should be involved by policymakers in the designing and implementation of active labour market policies** – particularly through the development of public-private cooperation. Their contribution to facilitating transitions in the labour market, to increasing labour market participation by creating jobs and reducing undeclared work and to delivering decent work should be included in public employment policies.

Private employment services enable labour markets to adapt to change. In order to further enhance its contribution to decent work and better functioning labour markets, the sector also pledges to deliver a number of key actions.

1. **The sector commits to work alongside all relevant stakeholders including social partners in order to optimise regulation on private employment services.** It will put emphasis on gaining further ratification of the ILO Convention 181 on private employment agencies and/or ensuring that the key provisions of the Convention are being transposed in as many countries as possible around the world.
2. **The sector commits to ongoing action to improve the governance and the quality standards of the industry around the world.** It will push and support the establishment of national federations of private employment services in countries where none yet exist. It will enhance quality norms and codes of conduct and promote the adoption of complaints and remedies procedures to handle cases of malpractice.
3. **It commits to becoming an active career agent for workers** and representing more widely the challenges and opportunities of today's workplace and the initiatives needed, including up skilling, social innovation, career guidance and effective transitions in order to ensure decent work for all. To achieve this, the private

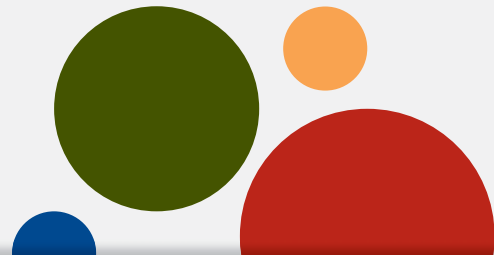


employment sector pledges to make further investments in more and better training of its own staff and agency workers.

4. **The sector will undertake greater communication efforts to explain the role that the industry plays in contributing to efficient labour markets and to fight against the unethical and illegal side of the industry.** In addition to conducting further research and investigations in conjunction with trade unions, the sector pledges to work with them to fight abuses and illegal practices arising from untrustworthy, unethical and rogue private employment agencies as both parties have a common interest in doing so. These unscrupulous agencies damage the image of the well-organised and responsible agencies, represent unfair competition and lead to the unacceptable abuse of workers.
5. **The sector commits to expanding its role as a labour market intermediary** partnering with all relevant stakeholders to deliver inclusive, well functioning, sustainable labour markets with high levels of participation and a coordinated approach to matching supply with demand.

Introduction



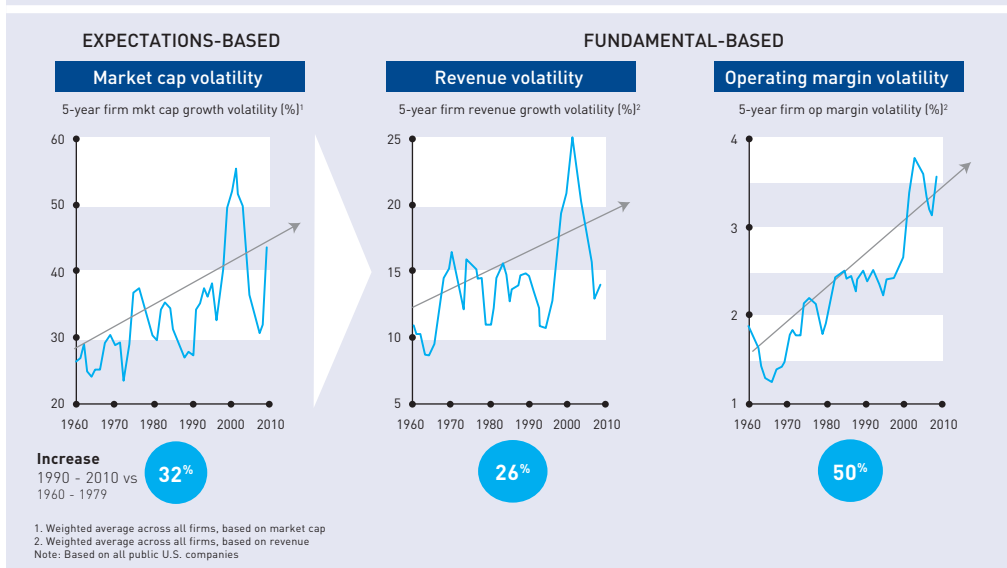


Labour markets around the world are facing fundamental structural changes. Increased globalisation means that countries are experiencing significant shifts in their economies characterised by accelerating change, increased volatility, lack of visibility and complexity.

Volatility in market capitalisation, in revenue and in operating margins all serve to create an increased feeling of social, economic and financial instability (see Figure 1). As governments and companies seek to navigate this new reality they are looking for a diversified and mobile workforce that will enable them to adapt quickly and build new bases of competitive advantage. At the same time, workers are increasingly interested in new ways of working (combining flexibility and security) and want to manage their work better in order to strike a work/life balance to suit their life stage and priorities.

Figure 1

Rise in firm instability clearly visible



The joint Boston Consulting Group & Ciett research finds private employment services are uniquely placed to support governments, organisations and workers to manage increased structural changes and cope with the fast-moving dynamics in labour markets. The HR solutions that private employment services provide allow stakeholders to seize the opportunity and leverage the change to their advantage.

Private employment services support companies and workers in adapting to seasonal and cyclical changes in the economy. The sector provides innovative solutions that enable organisations, whether public or private, to manage fluctuation in demand and adapt their staffing needs accordingly. Seasonal industries such as the postal service, retail, construction and financial auditing have an established relationship with private employment services which help them to manage their busy working periods by providing additional workers with the appropriate skills.

Cyclical fluctuations, while less predictable, are increasingly a fact of life and as economies alternate between periods of positive and negative growth so private employment services have grown in order to meet an increased demand. Most recently, following the global recession, private employment services have witnessed a very rapid recovery in terms of job creation. While many agency workers were the first ones to be impacted by the crisis, they have also benefitted from the recovery (first out- first in model). Since the low point in the economic crisis in 2009, the sector has created at least 900,000 new jobs in Europe, on top of the 3 million agency workers that remained employed during the crisis. Meanwhile in the USA, private employment services created 401,000 additional jobs in 2010. This serves to underline the valuable role that the sector plays in supporting economies and businesses through seasonal and cyclical variations.

However, the increased incidence of structural change (globalisation, demographic evolution, sectoral and IT shifts, increased volatility and complexity) in recent years has brought a new set of challenges to labour markets. Economies across the world are experiencing deep structural shifts at sectoral, geographic and demographic levels, leading to the need for new skills and jobs.

These new labour market dynamics present governments and policymakers with a core set of new challenges that require them to think and act differently. The challenges can be seen as fivefold:

1. How to deal with increasingly unpredictable and volatile employment markets?
2. How to reduce persistently high levels of unemployment whether structural or frictional which young people, which young people in particular are facing?
3. How to encourage transitions in labour market in order to reduce segmentation and make transitions pay?
4. How to reduce the mismatch between the supply of and demands for skills?
5. How to ensure that new forms of labour contractual arrangements are not detrimental to decent work?

In this new reality of work, the role of labour market intermediaries is crucial in order to enable adaptation to demographic evolution, skill shifts and new attitudes to work. For each of these challenges to be tackled, the private employment services industry offers expertise and solutions, which are described in this report.



Chapter 1

Private employment services enable adaptation to change in increasingly volatile and complex labour markets

“Satisfaction levels in general are very high. All stakeholders are pleased with the employment services system and governments clearly value its efficiency and the positive impact it has on the public budget.”

— Sally Sinclair, CEO of Australian National Employment Services Association

Constant structural changes are leading to increasing instances of job creation and destruction. Adapting labour markets to this new dynamic is one of the greatest challenges that societies face today. As EU Commissioner for Employment, Social Affairs and Inclusion László Andor puts it, “labour markets do not work on static patterns, with stocks of the employed, unemployed and inactive. They are more like a machine in perpetual motion. However, there is no “invisible hand” to shift workers automatically from one job to another, so unemployment and vacancies coexist.”¹

In this new reality of employment markets, the role of labour market intermediaries is crucial. Workers and employers need a facilitator to match supply with demand and ensure that maximum levels of labour market participation are maintained. In order to make transitions pay, governments need to embrace active labour market policies with strong cooperation between public and private employment services that will be effective in creating jobs, facilitating transitions, increasing labour market transparency and driving economic growth and prosperity.

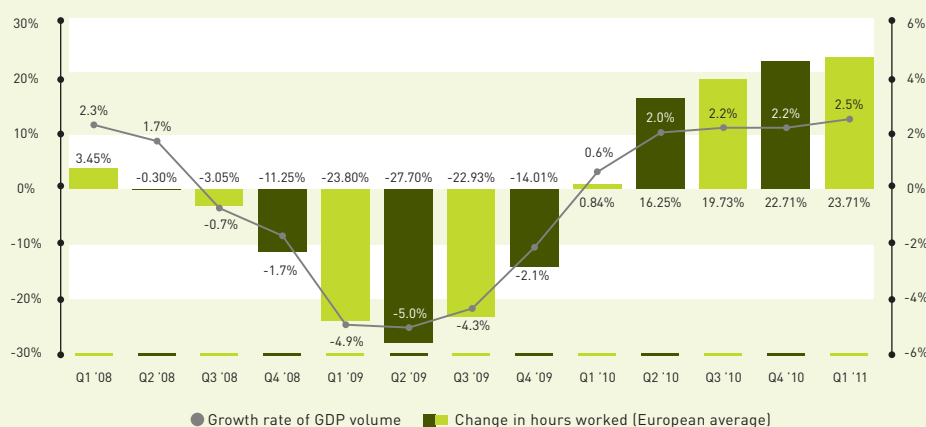
PRIVATE EMPLOYMENT SERVICES REDUCE THE TIME LAG BETWEEN RECOVERY AND JOB CREATION

Cyclical fluctuations are increasingly a fact of life with national economies and indeed with the global economy alternating between periods of positive and negative growth. The impact that these fluctuations have on employment and society presents a significant challenge for governments and companies.

As a leading economic indicator, the private employment services industry is one of the first to recognise the onset of a downturn but also the first to perceive the recovery when it comes (first out-first in model in which agency workers might be first to lose their jobs in times of economic crisis but they will be first to get back to work as soon as recovery begins). There is strong cor-

Figure 2

Evolution of number of hours worked by agency workers versus EU 27 GDP growth rate (year on year)



¹ Opening Speech of the Conference on the Future of European Labour Markets, Brussels: 2011, SPEECH/11/167

relation between the evolution of number of agency workers assigned and the evolution of GDP in a given quarter (see Figure 2), while it usually takes 3 to 9 months for the overall employment rate to adapt to the economic fluctuations.

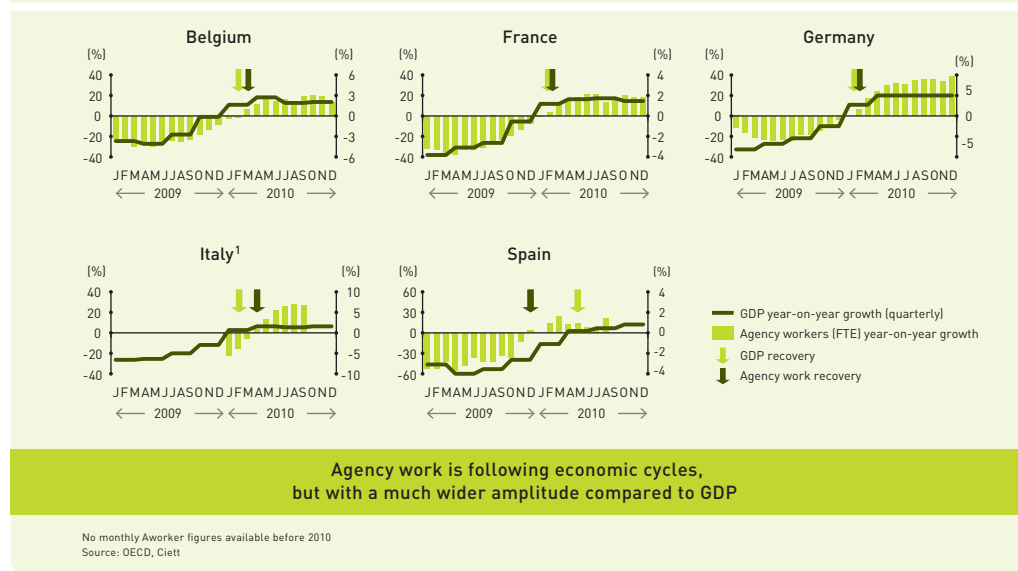
It is the industry's ability to respond quickly to changes in GDP growth that sets it apart and makes it such a vital component in economic growth. Recovery of GDP and agency work are mainly recorded in the same quarter, with OECD figures on GDP growth showing an almost simultaneous correlation with growth in the agency work market in 2009 and 2010. This can be attributed to organisations experiencing growth looking to private employment services to provide them with the manpower to order to meet increased demand (Figure 3).

There is an inevitable time-lag between economic recovery and a decrease in unemployment levels. Thanks to their capacity to react quickly and their knowledge of where skills are available, private employment services are ideally placed to plug this gap and provide workers with jobs and companies with the manpower they need to take advantage of an economic upswing.

Figure 3

Agency work quickly responds to changes in GDP growth

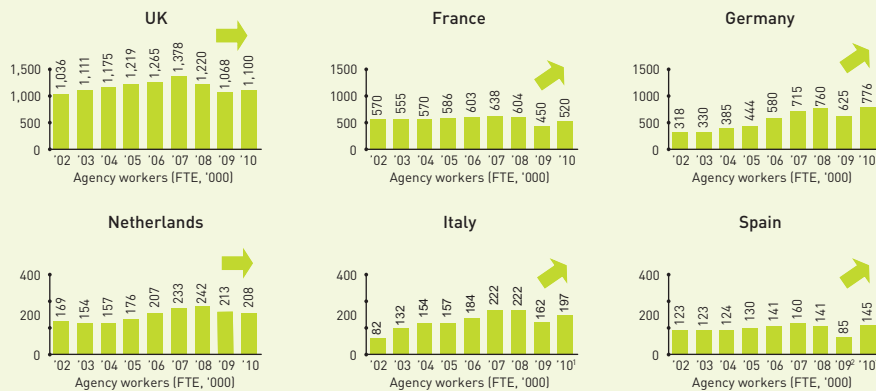
Recovery of GDP and agency work happens mostly in the same quarter



At the onset of the financial crisis in 2008, the sector saw its global employment numbers fall by one million. However, thanks to its ability to respond swiftly to the return of growth, by 2009 the majority of European countries experienced increases in demand with agency work penetration rates back to their 2006 levels as user companies responded to an upturn in business and reinforced their workforce. In countries such as Germany, Sweden and Italy, the number of workers placed by private employment services have already returned to their pre-crisis level highs (see Figure 4).

Figure 4

The job creation engine of agency work is taking off again



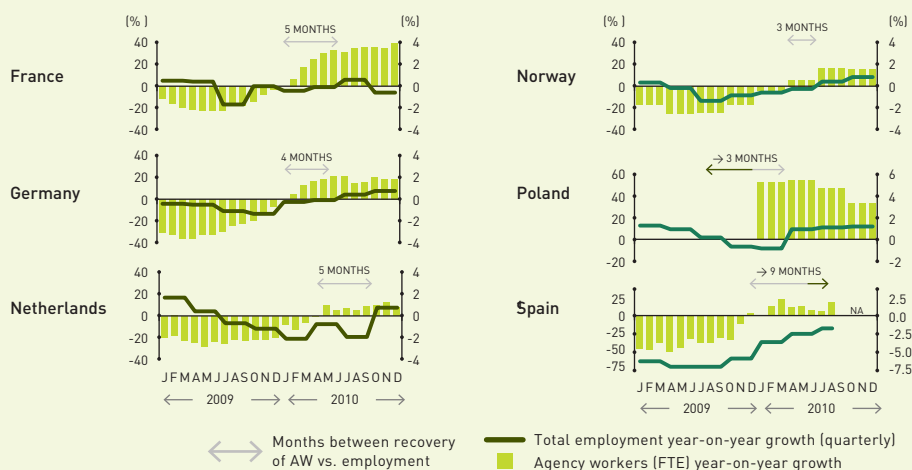
Note: Agency worker figures measured in daily average numbers (in full-time equivalents)
 1. 2010 Data estimated for UK, Belgium, Spain (Ciett corporate member estimates) 2. Ciett estimate
 Source: Ciett national reports, Ciett corporate member estimates

As an engine of job creation, private employment services are particularly effective in speeding this process during periods of economic recovery because they literally draw jobs out of the market. The agency work level of activity is one of the first things to experience growth as economies tentatively recover and new jobs begin to be created in response to increased demand. Plotted against the overall employment rate, the private employment services industry picks up earlier in times of recovery than the rest of the labour market (with a time gap of between 3 to 9 months) – See Figure 5.

Figure 5

Agency work provides needed flexibility to accelerate recovery

Agency work levels are picking up earlier than total employment levels



1. Data only available until August 2010
 Source: Ciett national federations, Eurostat, BCG analysis

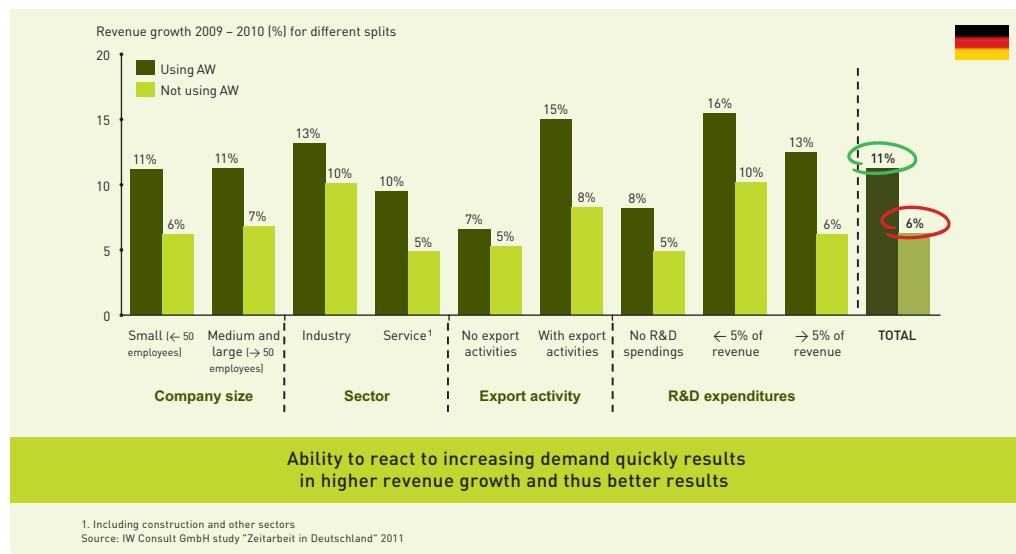
PRIVATE EMPLOYMENT SERVICES HELP COMPANIES TO ADAPT BETTER AND FASTER TO ECONOMIC CYCLES

Private employment services mitigate the impact of economic crisis in labour markets and those companies using agency work can be seen to accelerate faster out of the downturn. An IW Consult study² carried out in Germany and covering the 2009-2010 period demonstrates how those organisations using agency work recorded revenue growth a full 5% higher than those who did not (Figure 6). The study demonstrates that the ability to react to increasing demand quickly results in higher revenue growth and a better financial performance.

Figure 6

Companies using agency work accelerate faster out of downturn

German study shows higher revenue growth for agency work user organizations compared to other firms



² IW Consult GmbH study "Zeitarbeit in Deutschland" 2011

³ Flexibility profiles of European companies, European Company Survey 2009, Eurofound

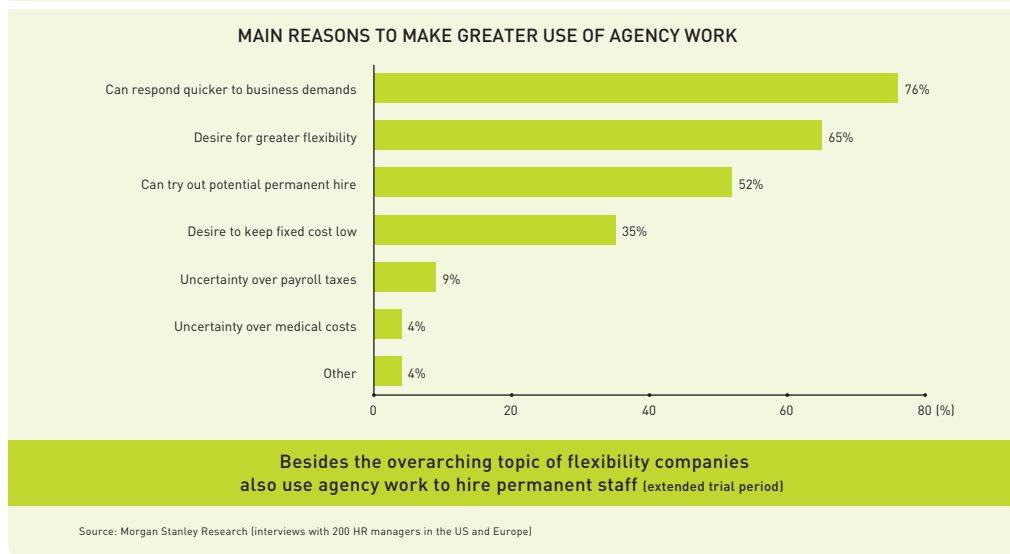
⁴ "Staffing survey: Temporary attractions are peaking" by Morgan Stanley – March 2011

This outcome is confirmed by research recently undertaken by Eurofound, the European Foundation for the improvement of living and working conditions, which clustered companies into five different groups according to their flexibility profiles³. Evidence suggests that companies using a combination of flexible working hours, overtime, performance related pay schemes and agency work are the ones experiencing the strongest financial results, highest labour productivity and greatest choice of staff and employee motivation.

Morgan Stanley Research⁴ comprising interviews with 200 HR managers in Europe and the USA confirms the value of private employment services in providing adaptation to change for companies. 76% of respondents cited the ability to respond quickly to business demands when asked why they chose agency work and 65% referenced a desire for greater flexibility (Figure 7).

Figure 7

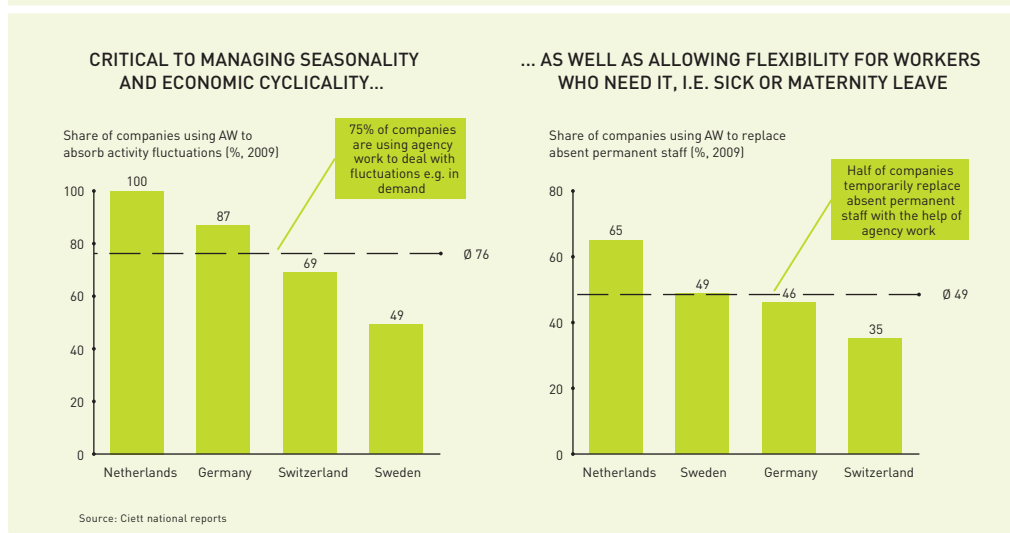
Main reason to use agency work is to respond quicker to business demands



Absorbing activity fluctuations (whether seasonal or cyclical) is the main reason mentioned by 76% of companies in the Netherlands, Germany, Switzerland and Sweden when asked why they use the services of private employment agencies. Half of these companies also use agency work to replace absent permanent staff, allowing them to cope with unpredictable sickness or vacancies (Figure 8).

Figure 8

Key lever in addressing volatility in high-performing countries



CASE STUDY 1: RESPONDING TO IMMEDIATE LABOUR MARKET NEEDS IN THE AFTERMATH OF NATURAL DISASTER

Following the earthquake and tsunami in Tōhoku, Japan on 11 March 2011, the Fukushima Nuclear power plant suffered a number of failures. Resulting from this, a private employment agency was contacted by the power plant operators to provide 1800 temporary agency workers. These agency workers were placed in call centres in order to respond to compensation claims for loss of use of property and other issues related to the nuclear power plant failure.

This is an example of private employment services' ability to respond to immediate labour market needs, even for large numbers of workers. This ability to meet unexpected demand for labour highlights the crucial role private employment services can play in responding to crisis situations.

PRIVATE EMPLOYMENT SERVICES OFFER A WIDE RANGE OF HR SERVICES SO THAT COMPANIES CAN FOCUS ON THEIR CORE BUSINESS

A more complex and unpredictable environment leads companies to increasingly focus on their core business and to outsource some of their activities. To cover such activities, the private employment sector is diversifying its services and extending its role as a partner in employment markets beyond temporary agency work. The spectrum of HR services being offered by private employment agencies today extends to permanent recruitment and consulting services to outsourcing, outplacement and payrolling (see Figure 9). User companies also avail themselves of additional services from private employment services in order to increase the efficiency of their internal HR functions.

Figure 9a

Professional services offered provide added value to client (1/2)

	DESCRIPTION	SERVICES OFFERED	VALUE-ADD FOR CLIENT
CONSULTING SERVICES	Provide specialized consulting services to employers covering a range of HR topics	- Project management - HR processes consulting - Compliance and policy	- Leverage extensive PrES experience in HR services - Insight into new markets and/or segments - Comply with legislation and avoid violations
HR OUTSOURCING	Provide full HR administrative services to enhance or replace internal capabilities	- Administration and payroll - Compliance - Workforce management	- Free up the time of client HR managers, enabling them to concentrate on their company's essential strategic HR issues - Streamline and simplify client's supplier relationships
RECRUITING	Offer full recruitment capabilities to enhance or replace internal capabilities	- Full and part-time recruiting - Recruiting administration (i.e. background checks)	- Leverage deep expertise in finding and retaining right workers - Assurance of high quality candidates - Free up HR capacity by handling a non-core capability

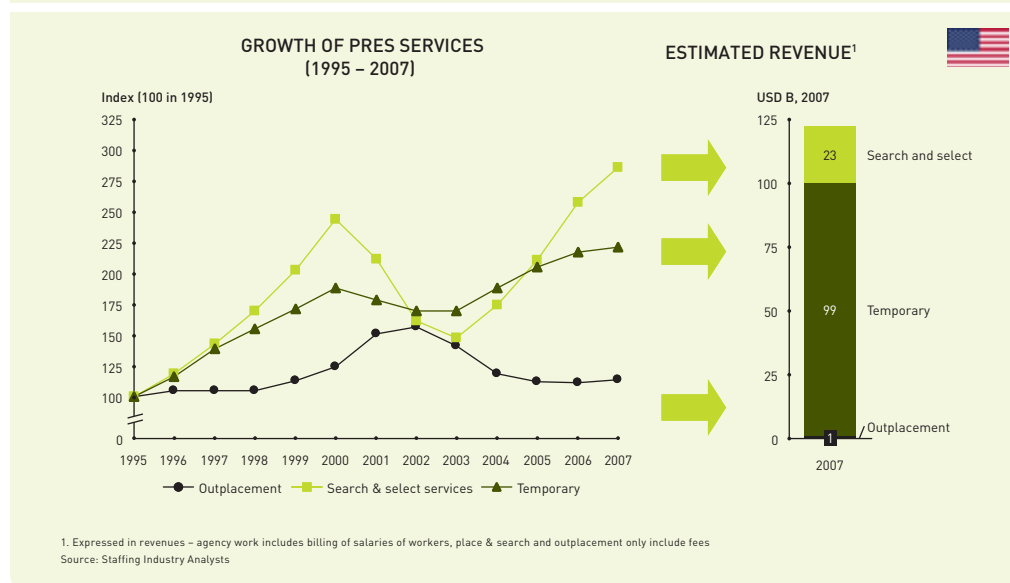
Figure 9b

Professional services offered provide added value to client (2/2)

	DESCRIPTION	SERVICES OFFERED	VALUE-ADD FOR CLIENT
OUTPLACEMENT	Provide employment transition services to employees re-entering the job market	- Career transition consulting - Post job-loss training - Career management	- Put in professionals hands a career step that can be psychologically difficult - Give client's people the right opportunities at the right time - Well managed outplacement has a positive impact on client's reputation and public image
PERMANENT PLACEMENT	Recruitment services for permanent job openings	- Search and recruit - Generalists - Professionals specialists - Skills, capabilities and fit assessments - Hiring process management	- Extend client's reach to talent pool - Reach specialists otherwise unreachable - Decrease a time and ressource consuming activity - Ensure to make the right selection thanks to PrES screening and selection experience

In the USA, search and select services are the fastest growth area for the industry and now represent one quarter of all revenue (Figure 10).

Figure 10

Search and select services growing faster than agency work
US pre-crisis data

The sector has the expertise to provide made-to-measure solutions to companies' staffing needs and to work with them in managing complex workforce planning and risks. They can deliver solutions across all forms of contracts and provide tailor-made solutions that allow organisations to explore growth and new ventures while still protecting the core activities of the company.

CASE STUDY 2: BULGARIA

A German discount retailer planning to simultaneously open 15 outlets in Bulgaria called on a local private employment agency to recruit 400 staff. The project was completed in two months and delivered a solution that the client could not have fulfilled himself in the same timeframe.

The market expertise and "one-stop-shop" nature that private employment services provide are what appeals to companies. In these cases private employment services manage all administrative tasks and contractual obligations as well as ensuring compliance with local laws and regulations. This outsourcing of HR needs allows companies to concentrate on their core business.

CASE STUDY 3: RELOCATION OF A MANUFACTURING PLANT IN CHINA

The experience of a company having difficulty in recruiting blue collar workers in its plants in Beijing and Shanghai provides a good illustration of the added value services that private employment services can provide.

The company was facing challenges to recruit the labour it needed in order to meet the new demand and also to replace workers who had left. The labour market in both Beijing and Shanghai is very competitive, characterised by severe labour shortages and difficulty in enticing workers to move to the cities because of the high cost of living. In addition, operating costs in Shanghai are high for manufacturers, placing greater pressure on budgets and margins. China having experienced an average GDP growth of 8%+ pa over the past 10 years places enormous strain on HR departments and it requires strong local market knowledge to navigate the system.

In this case the company only had access to fragmented market intelligence and was facing high operating costs as well as high levels of worker attrition due to a less competitive remuneration package. The insights of the private employment services as to how to operate under the local regime and within a shifting regulatory environment can be invaluable to companies in such situations and help them to accelerate management of bureaucratic processes and understand the options open to them.



Having examined this specific situation the agency recommended that the company relocate its plants to more labour intense cities. It dedicated a local expert to mapping the talent opportunities in 15 cities in China and over a period of just four months the expert mapped blue collar workers across the country and subsequently narrowed the choice to just six cities. The agency had established solid government relationships in each city which enabled it to collect accurate data and to present the company with a fully elaborated proposal.

It is noticeable how those companies that are least flexible in offering a wide range of employment contracts are also those with the lowest penetration of agency work. Companies in the Netherlands, UK, Belgium, France, Germany and Ireland have a relatively high degree of flexibility and also enjoy significant agency work penetration rates. By contrast, countries including Slovakia, Portugal, Romania and Hungary with highly inflexible national labour law, companies are left with a limited ability to leverage the advantages agency work can bring and results in correspondingly low levels of penetration.

Private employment services play an important role in supporting companies and acting as labour market intermediaries. The sector provides user organisations with access to an ever-expanding range of HR and employment services and a high level of local market knowledge and expertise.

Often, private employment services act as an agent to workers by helping them access the next assignment. Furthermore, many large corporations prefer to go through private employment agencies to avoid the often time-consuming recruitment process themselves. In India for example, 50% of attrition in the agency work sector is workers joining user companies on a permanent basis.

CASE STUDY 4: US – PRIVATE EMPLOYMENT SERVICES TAKE OVER CERTIFICATION AND SCREENING FUNCTION

A healthcare company requiring specific skill-sets in its clean production facility but finding a dearth of candidates, called on an agency for assistance. The agency created a full workforce solutions programme whereby it benchmarked the skills-set needed, created an 8-day training programme to develop the skills and developed a pipeline of high potential entry level operators.

Companies also turn to private employment services to help them manage complexity and risks in markets with which they are not familiar with. This enables them to be confident that they are operating to the highest standards as the industry is increasingly self-regulating and ensuring that all players meet a common level of professionalism.

CASE STUDY 5: INCREASING EFFICIENCY IN AUSTRALIA

A complete solution to increase the efficiency of the clients' HR was created by a private employment agency in Australia, making it the largest and most complex outsourced contract and the first of its kind in the world. The agency introduced a new recruitment process to recruit all personnel for the user company and developed a collaborative organisation spread over 17 recruiting centres around Australia comprising more than 550 personnel.

The efficiency and quality of candidates delivered to the user company resulted in controlled costs, improved technology and the ability to innovate as well as the better alignment of responsibilities and more reliable management information.

PRIVATE EMPLOYMENT SERVICES ENABLE MORE JOB OPTIONS AND WORK OPPORTUNITIES FOR PEOPLE

Private employment services also help people to realise their diverse range of expectations regarding work. In a world where people live longer and because of reduced pensions may need to work longer, new attitudes and approaches to work are emerging. Workers are increasingly interested in new ways of working (combining flexibility and security) and want to organise their professional life in order to strike a better balance between work, leisure or family interests. Whether it is wanting to work part-time in order to care for family, students wanting to make some money over the summer or people wishing to devote more time to their personal interests, the trend points toward changing attitudes to work.

In the new reality of work, it should be recognised that an increasing range of work contracts is needed to meet diverse expectations and attitudes to work. In France, Belgium or Italy for example, there are currently more than 30 different types of work contract, reflecting increasingly diversified labour markets. In several countries, the private employment services industry is able to offer a wide range of contractual arrangements (specific temporary agency work contracts, fixed-term contracts, part time contracts, permanent contracts, apprenticeship contracts...), allowing it to serve a range of profiles and situations of people looking for work and skills development.

The variety of the agency workers' profiles (see Figure 11) reflects people's increasingly diverse attitudes towards work and expectations of it.

Global statistics reveal that an average of 30% of agency workers are not looking for a permanent job (in Japan this figure is 55%) while 43% of agency workers choose this type of work because they want to work in a flexible way (in Australia 80% of agency workers gave this as their reason for choosing agency work).

Meanwhile an average of 42% of people claim that they chose agency work as a means of gaining work experience – and this figure was over 70% in Belgium (see Figure 12).⁵

⁵ Source: Ciett National Federations

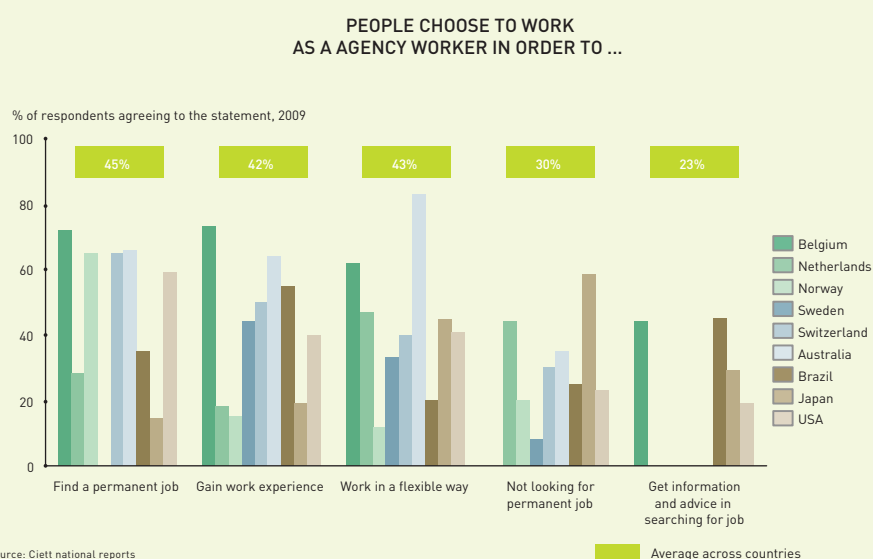
Figure 11

The range of agency worker profiles increases labour market participation and diversity



Figure 12

Agency work is able to serve a very diverse set of motivations



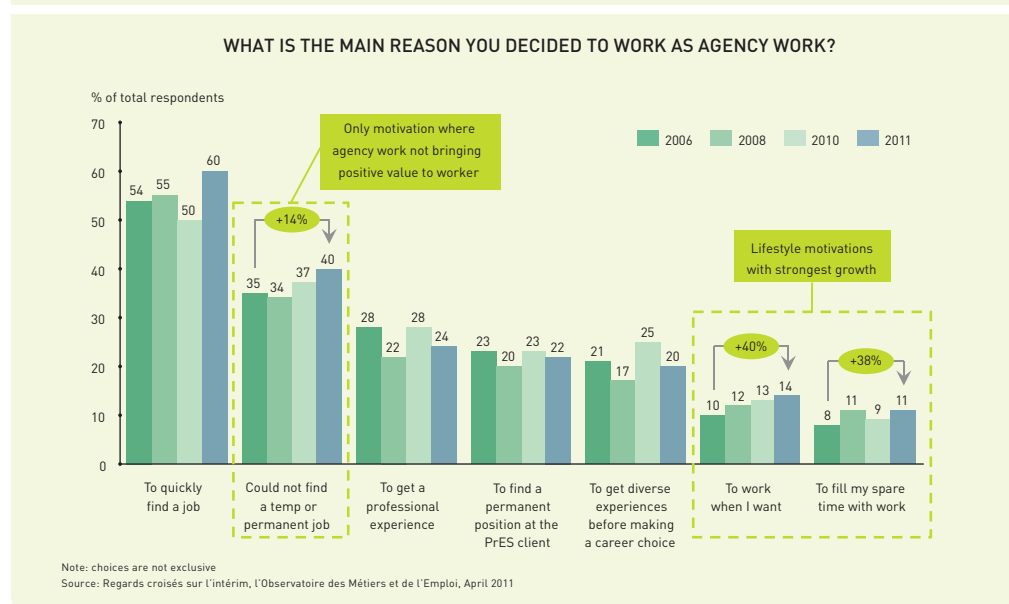
Private employment agencies recognise that a wide group of agency workers chooses their services often out of necessity rather than out of real choice, because they can't access or remain in a permanent job. In that case, working through an agency might be a default choice, but the alternative is often undeclared work, unemployment or relying on the support of the welfare state. In France for instance, 40% of agency workers declare that they decided to work through an agency because they could not find a permanent job. However, 60% of them cite the possibility of finding a job quickly as their first reason for turning to agency work (See Figure 13).

Figure 13



Reasons for choosing agency work mainly positive

In France, only 40% of the workers choose agency work because they have no other choice



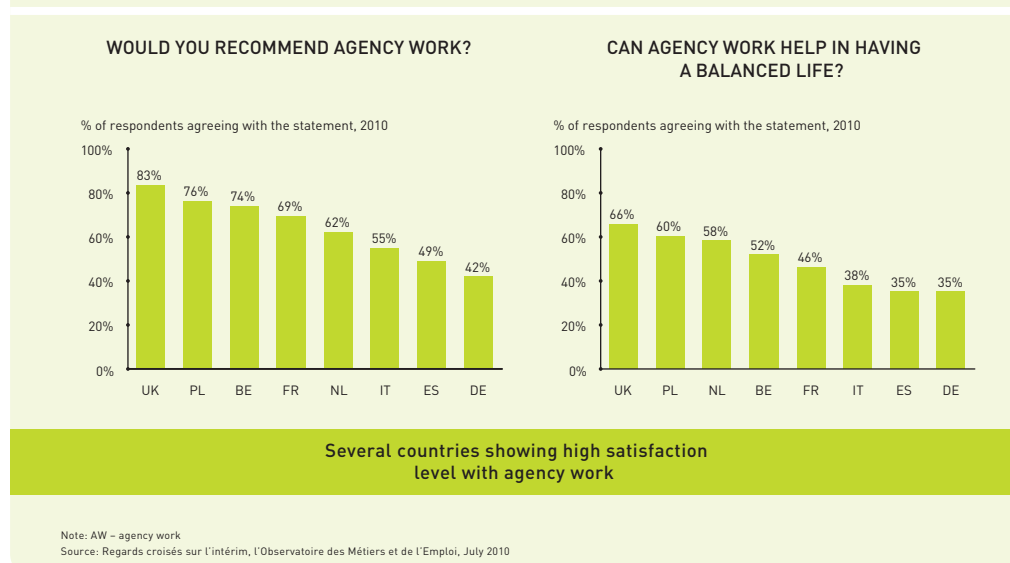
For many the private employment services industry is the ideal partner to meet the needs of people looking for more individualised work solutions. It offers a wide variety of occupations in many different industry sectors, thereby providing workers with a great deal of choice and the opportunity to seek out employment in line with their interests and future development goals. In Australia for example, agency workers represent 12.7% of the mining industry workforce, 11.8% of workers in the finance and insurance sector and 11.6% of workers in the ICT industry⁶.

In many countries, agency work is increasingly recognised as a lifestyle choice and agency workers show high levels of satisfaction with the flexibility and work/life balance that agency work provides them. European research from the French bipartite institute L'Observatoire des Métiers et de l'Emploi showed that 83% of people in the UK and 76% in Poland would recommend agency work and more than 50% of workers in Belgium claim they have deliberately chosen agency work and that it offers diversified work (Figure 14).

⁶ Source: ABS Forms of Employment 2008 (in Adecco Group Australia Temporary Labor Report 2011)

Figure 14

In many countries agency work is being recognised as a lifestyle choice



CHAPTER SUMMARY

In the new reality of volatile, unpredictable and complex labour markets, the need for private employment agencies to identify openings and manage the transition of workers is has grown significantly. The private employment sector offers an array of added-value services to help companies to adapt better and faster to economic cycles and to be able to focus on their core business. They reduce time-lag between recovery and job creation and increase the range of choices and work opportunities for people.

Chapter 2

Private Employment Services
reduce both structural
and frictional unemployment

“Employment services improve efficiencies by matching supply and demand.”

— Michael Weber, Economist, World Bank



In Europe, as stated by EU Commissioner for Employment, Social Affairs and Inclusion László Andor, “some 20% of jobs are created or destroyed each year and depending on the Member State, up to 30% of all workers may be hired or leave their employers each year”⁷.

New technologies are creating new sectors which require new skills and jobs while others are disappearing and taking with them previously established employment sectors. At the same time the geographic shifts brought about by globalisation, trade liberalisation and population evolution are changing the importance and competitiveness of different countries and regions around the world, leading to pockets of high unemployment that coexist with areas where vacancies remain unfilled. Due to the demographic shifts, some countries will face aging populations, while others will experience a population boom leading to a mismatch of talent and employment opportunities around the world.

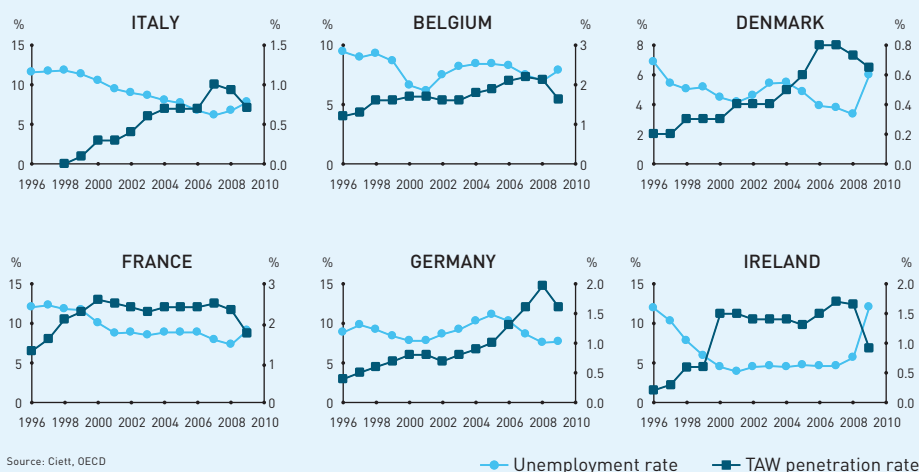
Sectoral shifts modify economies profoundly. In the developed world, jobs in agriculture and manufacturing are declining while demand for labour in the service and creative industries continues to rise. With the increased focus on IT and connectivity service workers today require a completely different skill-set from even a decade ago. As a result, both structural and frictional unemployment have been rising over the years, and particularly affecting young people. That picture is remarkably similar right across the globe, revealing a clear trend in more and less developed economies.

The private employment services industry contributes to reduce these two dimensions of unemployment: structural unemployment by creating new jobs and skills; and frictional unemployment by ensuring a better match between supply and demand of work and increasing transparency in labour markets.

As shown in Figure 15, the level of development of agency work and the unemployment rate follow inverse patterns.

Figure 15

Agency work and unemployment display inverse patterns

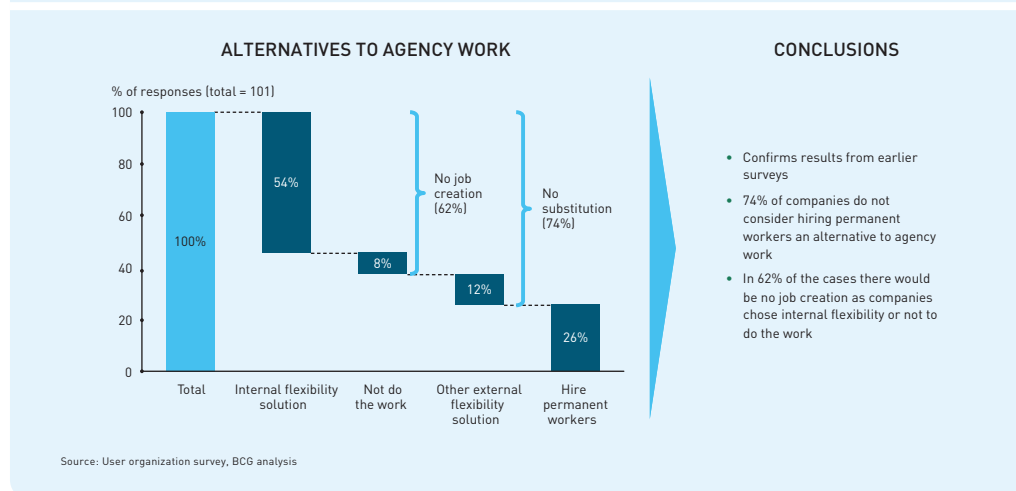


⁷ Opening Speech of the Conference on the Future of European Labour Markets, Brussels: 2011, SPEECH/11/167

Figure 16

Agency work does not substitute permanent work

Almost two thirds of user organizations would not have created jobs if they had no access to agency work



PRIVATE EMPLOYMENT SERVICES CREATE MORE JOB OPTIONS WITHOUT SUBSTITUTING PERMANENT CONTRACTS

The private employment services industry is an engine of job creation. In the USA, private employment services provided 401,000 jobs in 2010, the largest annual growth posted since 1994. Meanwhile in Europe, since the low point of the economic crisis in 2009, the sector has so far provided at least 900,000 new jobs on top of the 3 million agency workers that have remained employed throughout the downturn. This builds on the performance during the period from 2002 to 2007 when 1.3 million new jobs were created by the industry.

Private employment services are an engine of job creation and help to boost employment by turning available work into jobs. The sector creates jobs that otherwise would not exist and is particularly effective in placing disadvantaged and under-represented groups in society, thereby providing a way for them to start to access job markets and join the world of work.

The research underlines that 74% of user organisations would not consider hiring permanent workers as an alternative to taking on agency workers. In addition, 62% of the companies would choose internal flexibility solutions (such as overtime) or not to do the work if they had no access to agency work, resulting in a “no job creation” situation (Figure 16).⁸ The average length of assignments (around 3 months) and the high turnover of agency workers prove that these jobs are not substituting permanent ones, but correspond to new ones.

A similar survey carried out in Sweden backs up this analysis. Only 19% of respondents considered hiring a permanent employee to be a viable alternative to hiring an agency worker (Figure 17).⁹

⁸ Source: User organisations survey & BCG analysis – April 2011

⁹ Source: personal inhyrningen i sverige, En studie av 500 arbetsgivares anlitande av bemanningsföretag, Bemanningsföretagen/Almega



Figure 17

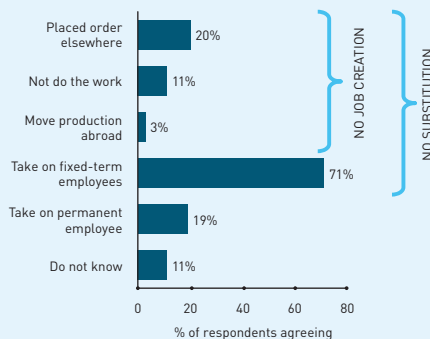
Survey on alternatives to using agency work



REASONS FOR HIRING AGENCY WORKERS



ALTERNATIVE TO HIRING AGENCY WORKERS



1. i.e. replacement for employees on leave – parental, sick, vacation etc

Source: personal inhyrningen i sverige, En studie av 500 arbetsgivares anlitande av bemanningsföretag, Bemanningsföretagen/Almega

ENSURING A BETTER AND FASTER MATCH BETWEEN SUPPLY AND DEMAND

Key roles of private employment services lie in their matching function between supply and demand, and their delivery of greater transparency in labour markets. Private employment services have a tactical role in easing transitions and reallocations in labour markets. By successfully and intrinsically staying close to the workplace and understanding the market needs, they are able to match supply with demand in order to maintain people in work and drive labour market efficiencies.

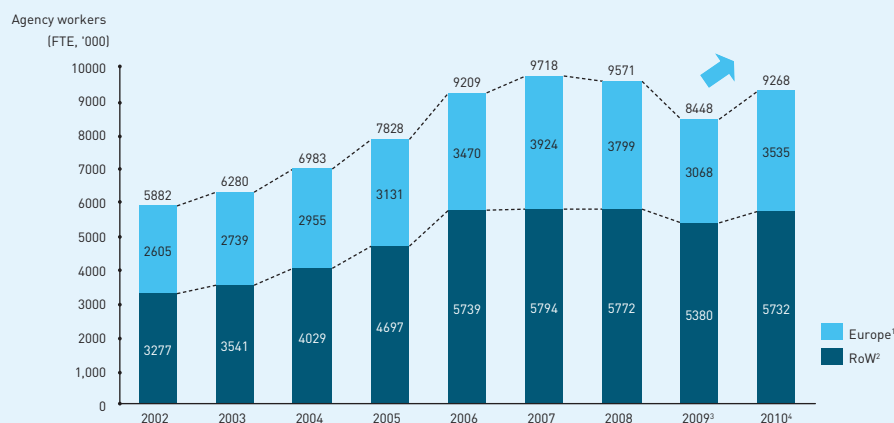
In recent years the industry was therefore seen as a job creation engine in times of economic prosperity, interrupted only in times of severe economic crisis. At global level, the number of agency workers in 2010 increased by 10% compared with 2009, while in Europe the activity of private employment services is expected to head toward its pre-crisis level by the end of 2011 (Figures 18 & 19).

Private employment services actually start to create jobs even at low levels of GDP growth as illustrated by this longer term analysis of the Belgium marketplace where agency work can be seen to perform in line with GDP and begin significantly ahead of total employment (Figure 20). This has the effect of jump-starting the economy and delivering jobs ahead of the classic job creation curve. Almost 60% of Belgian workers of 45 years of age choosing agency work did so to use the industry as a stepping-stone to a permanent job¹⁰.

¹⁰ Federgon: 2011

Figure 18

2010 shows increase of agency workers in the world

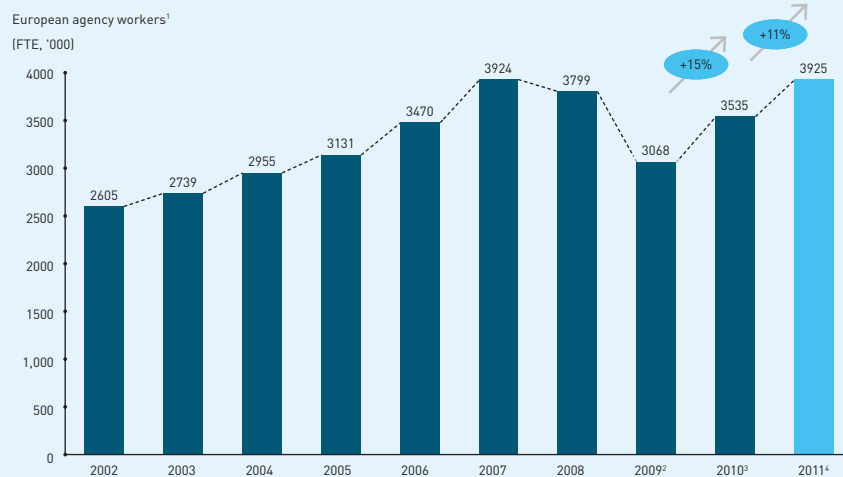


1. Consistent group with previous strategic report; includes Austria, Belgium, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland, UK 2. Rest of the World includes Argentina, Australia, Brazil, Chile, Japan, Mexico, South Africa, South Korea, USA 3. 2009 data estimated for Spain 4. 2010 data estimated on the basis of available data and extrapolated to all other countries 4. Forecast based on analyst revenue estimates for the industry
Note: Some data points for individual countries are based on industry estimates; Worker figures measured in daily average numbers [in full-time equivalents]

Source: Ciett national reports; industry estimates; Analyst estimates; BCG analysis

Figure 19

Number of agency workers in Europe is expected to reach pre-crisis level in 2011



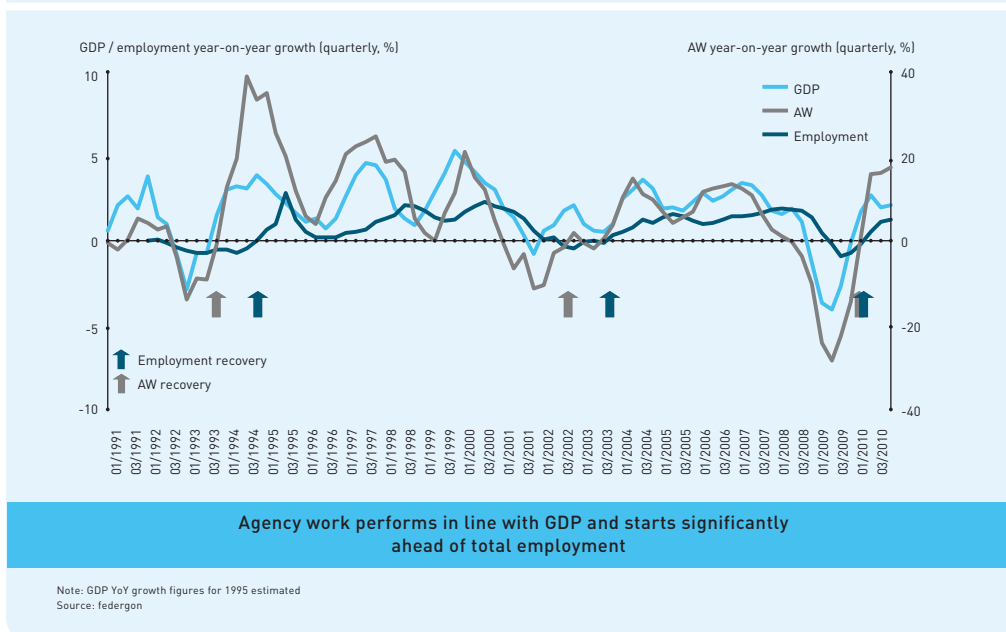
1. Consistent group with previous strategic report; includes Austria, Belgium, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland, UK
2. 2009 data estimated for Spain
3. 2010 data estimated on the basis of available data and extrapolated to all other countries
4. Based on Staffing Industry Analysts growth forecast for 2011
Note: Some data points for individual countries are based on industry estimates; Worker figures measured in daily average numbers [in full-time equivalents]

Source: Ciett national reports; industry estimates; Analyst estimates; BCG analysis

Figure 20

PrES allow lower level of GDP growth needed to create jobs

Analysis of longer time series for Belgium



The presence of private employment services helps to drive job creation as it enables organisations to manage workforce flexibility in line with fluctuations in economic activity. Those markets in which private employment services face overly strict regulatory conditions or are barred from operating in some sectors are ill-prepared to manage these fluctuations and leverage the opportunity they present. It is these same markets that have fared least well in the economic crisis – such as Greece, Spain and Portugal in Europe – and are experiencing the highest levels of unemployment, especially among young people.

An examination of those countries continuing to perform well in 2009 – including the Netherlands, Germany, Switzerland and Sweden – reveals that 75% of companies are using agency work to deal with fluctuations in demand caused by seasonality and economic cyclical.

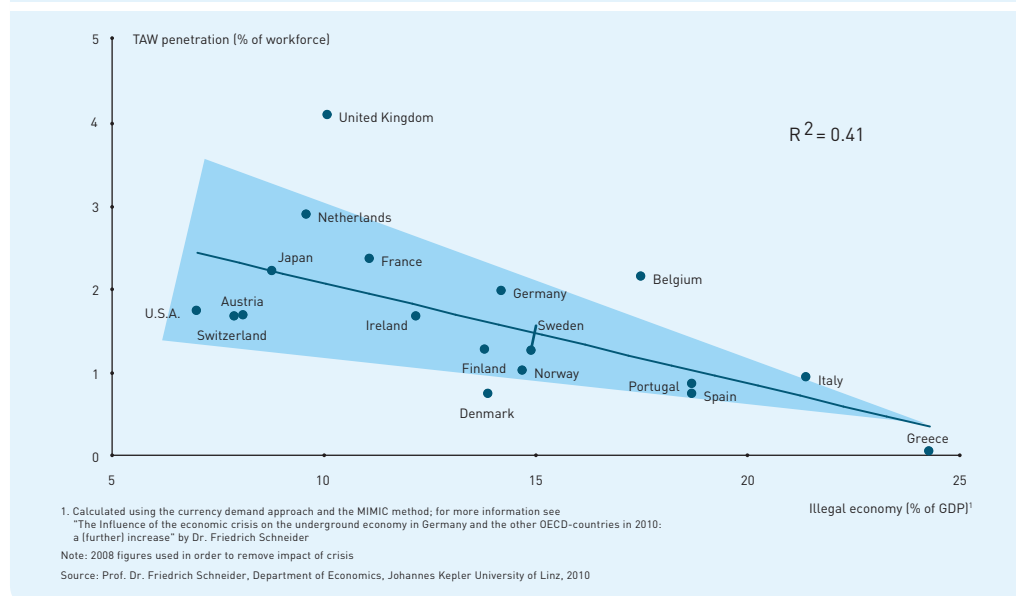
The inclusion of agency work as a reliable, flexible staffing approach has also been invaluable in China where it has helped companies manage the hyper-growth experienced over the past ten years. Consistent GDP growth of 8% and above has meant that both established companies and new entrants have been faced with significant hiring requirements – often needing to hire thousands of employees at once. In a country where labour law is still not fully realised and the regulatory environment is relationship driven, agency work has supported over-stretched HR departments and facilitated widespread hiring. It has also used its relationships and knowledge of the local workforce and of the regulatory environment to accelerate bureaucratic processes and deliver swift solutions.

AGENCY WORK REDUCES UNDECLARED WORK

In addition to having a positive impact on employment levels, increased use of private employment services has the added advantage of reducing undeclared work in the economy by providing an organised and regulated form of flexible work. As shown in Figures 21 & 22, there is a strong correlation between the level of agency work penetration and the volume of illegal activities: Countries with a high penetration rate of agency work have lower levels of illegal economic activity.

Figure 21

Agency work contributes to the fight against undeclared work Countries with high agency work have lower levels of illegal economic activity



The Italian labour market serves as an excellent illustration (Figure 23) for relationships with both undeclared work and unemployment. A steady decline in the unemployment rate can be seen from over 11% when agency work was legally recognised in 1998 to a low of less than 7% in 2007 when agency work penetration peaked at 1% of the job market. Furthermore the legalisation of agency work also coincided with a decreasing level of illegal work from 27% in 1998 to a low of 22% over the same period.

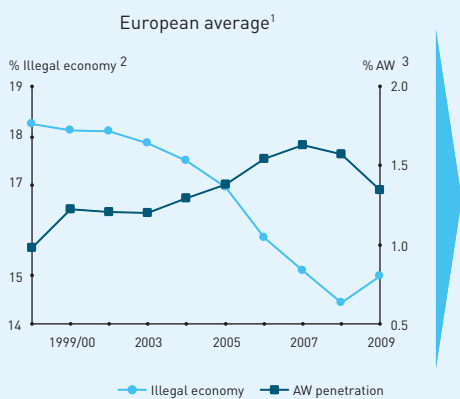
In India, where the labour market is highly fragmented and boasts some 500+ million workers, organised employment (based on formal, written employment contracts) has been stagnant for many years leaving unorganised employment (without written employment contracts or undeclared) that is responsible for some 80% of the workforce. By creating new, formal job opportunities each year, the private employment services industry plays a key role at institutional level in reducing both unemployment and undeclared work. For the workers, the industry provides

Figure 22

Reduction in illegal economy relates to increase in agency work

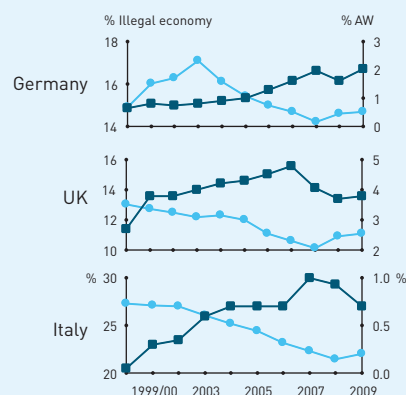
Increase in illegal economy, decrease in agency work in 2009 due to the crisis

CHANGES IN THE LEVEL OF ILLEGAL ACTIVITY ...



1: Average of 16 countries, for full list see appendix 2. Measured as % of total GDP 3. AW penetration
 Note: Two year averages for 1997/98, 1999/00, and 01/02
 Source: Prof. Dr. Friedrich Schneider, Department of Economics, Johannes Kepler University of Linz, 2010

... CORRESPOND WITH CHANGES OF AGENCY WORK LEVELS

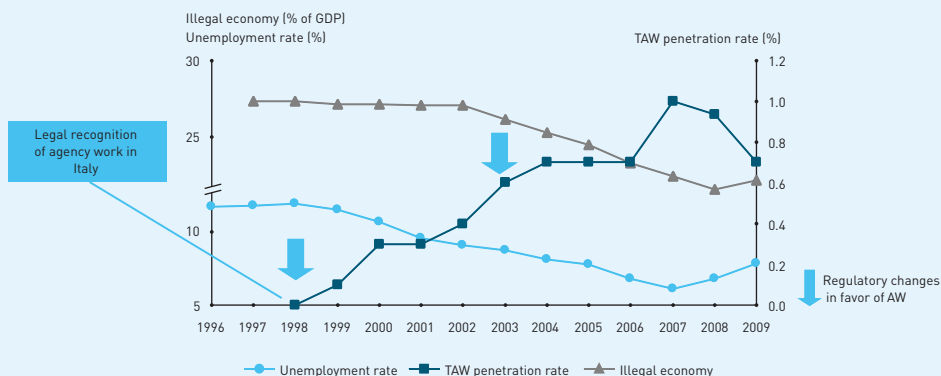


agency workers with decent work, safe working conditions and a reassurance that they will be paid. Rights such as social security which private employment services afford their agency workers are rare in India where some 350 million workers are not organised formally and so receive no such entitlements.

Figure 23

Agency work helped reduce unemployment & illegal economy in Italy

Agency work regulatory changes and their positive impact on level of unemployment and illegal economy



Unemployment rate started to decline right after introduction of agency work

Source: OECD, Cielt national reports, GiGroup

PRIVATE EMPLOYMENT SERVICES HELP TO IMPLEMENT ACTIVE LABOUR MARKET POLICIES AND COOPERATION WITH PUBLIC EMPLOYMENT SERVICES

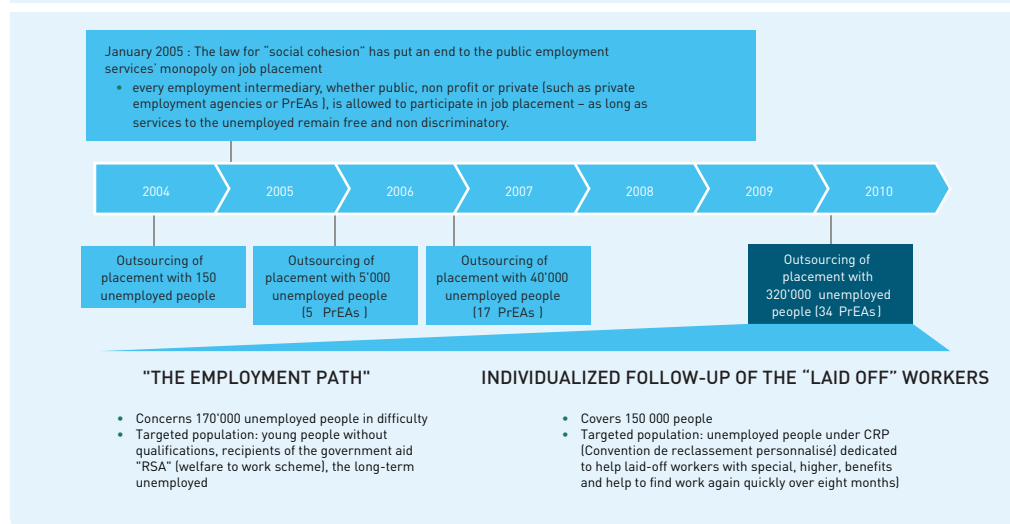
Private employment services help to reduce structural unemployment by contributing to the implementation of active labour market policies and working in cooperation with public employment services. This cooperation ensures maximum efficiency in driving higher labour market participation rates and contributes to the inclusion of people formerly outside the labour markets (jobseekers, inactive, students).

Best practice examples exist across Europe and mark a growing trend (Figures 24 & 25). As of 2005, public employment services in France have been able to outsource placements to private employment services leading to 320,000 placements in 2010 and 2011. 170,000 of these placements were for special target groups including young people without qualifications and the long-term unemployed.

Figure 24

2005 reform ends public monopoly of job placement

Intervention of intervention of private employment agencies (PrEAs)



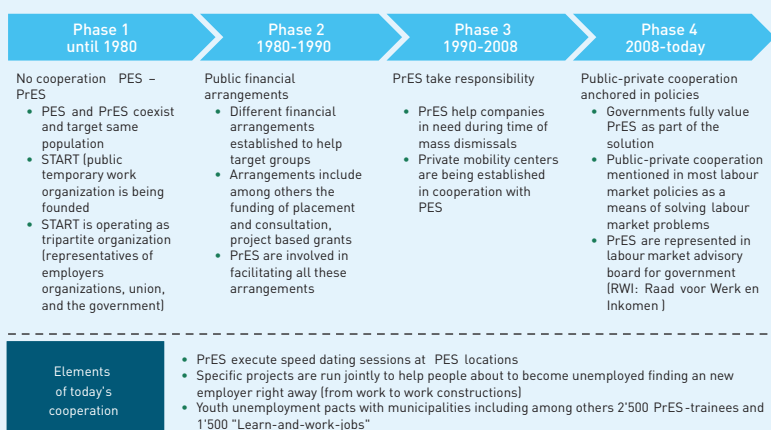
In Australia, the activities of public employment services have been totally outsourced to the private sector (Figure 26). In comparison with the situation before outsourcing, the current system is showing about three times the output performance at approximately one third of the cost.



Figure 25

PES and PrES in Netherlands formed partnership

Characterization of the way from co-existence to co-operation and elements of today's system



Source: ABU

Figure 26

Full outsourcing of PES to PrES in Australia

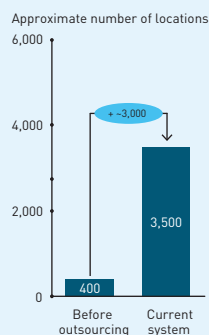


SITUATION

- The Australian labour market is characterized by low unemployment levels, but at the same time widespread skill shortages and a constantly growing proportion of highly disadvantaged and long-term unemployed job seekers
- The Australian government outsourced its complete public employment services to private and non-profit organizations
- Australia is the only OECD country with this kind of system (100% outsourcing)
- The outsourced "government funded employment services" include ~50'000 internal staff in about 3'500 locations
- The system of service outsourcing is building on a complex contractual relationship to avoid - among others - "cherry picking" of private agencies in terms of job seekers they chose to place
 - The more disadvantaged the job seeker, the higher the reward for the agency placing the person
 - There is a performance measurement system in place across the country
 - Not placing disadvantaged workers would result in a bad score of the respective agency which would result in the agency losing its license to operate as a government funded employment service

RESULT

- Job seekers see the system as complex due to the contractual agreements that are in place, but clearly see and value the advantages and benefits arising for them
- Satisfaction levels in general are very high among all stakeholders and especially governments clearly value the efficiency of the system and the positive impact it has on the public budget
- Compared to the situation before outsourcing, the current system is showing about three times the output performance with approximately one third of costs
 - Australia among OECD countries with lowest level of public funding of employment services



Source: Expert interview S. Sinclair, CEO NESA (Australian National Employment Services Association), Australian Government discussion paper "The future of Employment Services in Australia", 2008

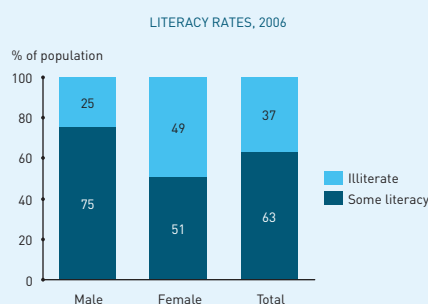
In emerging markets such as India, where high levels of illiteracy (25% of men and up to half of the female population) make employability a significant problem, private employment services are serving a crucial role.¹¹ They deliver the specialist knowledge needed to navigate the complex regulatory framework for organised labour with different labour compliance requirements across the country's 28 States and 7 territories, and no less than 22 recognised languages. As existing experiences show, one change in an organisation's social security scheme may require 26 different approvals and many multi-national companies find they don't have the knowledge or the connections to manage these complexities. With the often restrictive, outdated and only selectively enforced labour laws posing an added challenge, private employment services can help corporations to manage complex legal environments leaving them free to concentrate on their core business (see Figure 27).

Figure 27

PrES helps employers in India manage complexity



EMPLOYABLE WORKERS ARE DIFFICULT TO FIND



"Employability is a huge problem"

THE REGULATORY ENVIRONMENT IS COMPLEX TO MANAGE

- Restrictive and outdated laws selectively enforced
 - i.e. all employees must provide traditional clay drinking vessels of water to employees, regardless of whether they also provide modern water systems
- Multinational corporations often do not have the required connections to operate under such a regime

"[Making deals with officials is] not something corporate India likes to do, but sometimes there is no other way"

- Infrastructure challenges require a specialist
 - 22 languages recognized by the government, with each state designating their own
 - labour compliance requirements differ across India's 28 states and 7 territories –

"One change in your social security scheme might require 26 different approvals"

Source: Report of the Task Force on Employment Opportunities, Planning Commission, Government of India, July 2001; TeamLease India labour Report 2005; expert interview; UNESCO

¹¹ Source: Report of the Task Force on Employment Opportunities, Planning Commission, Government of India, July 2001; TeamLease India Labor Report 2005; expert interview; UNESCO

Adding to its services, the sector can also play a role in integrating immigrant populations into the labour market as has been seen in Denmark where private employment services have provided a useful support to the public employment services by securing jobs for non-western immigrants who are traditionally hard to place.



CHAPTER SUMMARY

As a labour market intermediary, the private employment sector is able to better match supply with demand in the workplace by creating jobs, fighting undeclared work and reducing both frictional and structural unemployment. The industry supports governments in implementing active labour market policies, especially through cooperation schemes with the public employment services.

Chapter 3

Private Employment Services
drive down segmentation
in labour markets

“With private employment services, people have the chance to directly transfer into another fitting job assignment”

— Paul Ginocchio, Financial Analyst, Deutsche Bank

AGENCY WORK FACILITATES TRANSITIONS AND UPWARD MOBILITY

Private employment services contribute to the elimination of market segmentation by facilitating transitions, upward and sideward mobility. These can be from education to work, from unemployment to employment, from temporary positions to permanent posts and from jobs to jobs. It also stays close to the workplace in order to enable transitions across sectors in line with demand and economic growth.

This stepping-stone function to the world of work helps to bring access to work for those who would otherwise not secure a job. By providing people with decent work and exposure to labour markets private employment services increase the wider employability and mobility of workers. They provide or facilitate both vocational and on-the-job training which can be used as a stepping stone to other work.

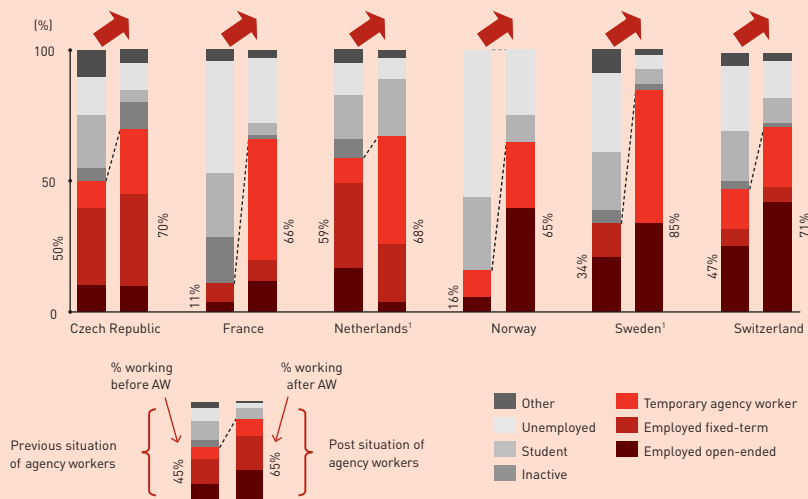
In France, just 11% of workers had jobs before they took up agency work, and this figure jumped to 66% working thanks to agency work. In Norway the percentage of people employed jumped from 16% to 65% due to agency work and in Sweden labour market participation rose from 34% to 85% (see Figure 28).

The same picture is replicated on an international level with South Africa showing just 15% of workers in jobs before accessing agency work and 61%¹² afterwards (see Figure 29). Research carried out in several countries over time shows that on average one third of agency workers get a permanent job 12 months after entering a private employment agency.

Figure 28

Agency work provides a stepping stone into employment in Europe

By bringing people into employment agency work also reduces the segmentation of the labour market

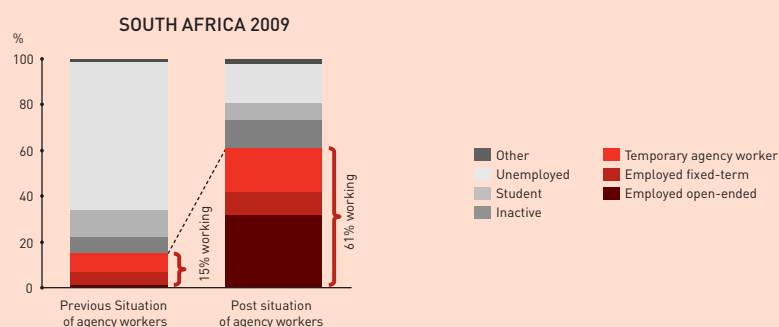


1. 2009 data
Note: 2010 data if not otherwise stated
Source: Ciett national reports 2009, 2010

¹² Source Apso 2010

Figure 29

In South Africa, agency work helps unemployed people to enter the labour market



Source: Ciett national reports 2009

The industry's ability to identify new work opportunities also ensures that workers remain in ongoing work and that the provision of the skills training necessary for the jobs available serves to smooth the process for both employers and workers.

Some 35% of agency workers are under 25 years of age¹³ and agency work is often their first exposure to the labour market (Figure 30). It provides work experience for those entering the workplace and reassures them that they will be working with a quality employer and undertaking decent work. It also allows students to complement their studies by gaining concrete work experience.

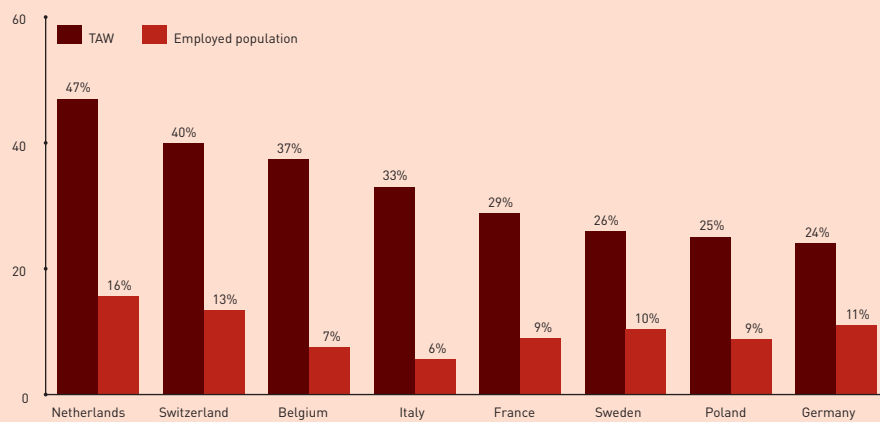
This stepping-stone function provided by private employment services is largely recognised by workers, who widely acknowledge (from 59% to 92%) that agency work is an efficient way of finding a first job but also of securing a permanent, full time position (Figure 31).

¹³ Ciett national federations

Figure 30

Agency work provides needed opportunity for young people

% of young workers (< 25 years) in 2009



Several countries showing high satisfaction level with agency work

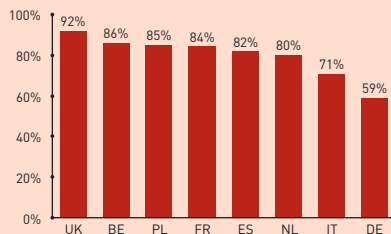
Source: Cielit national reports, Euromonitor

Figure 31

Stepping stone effect largely recognised by workers

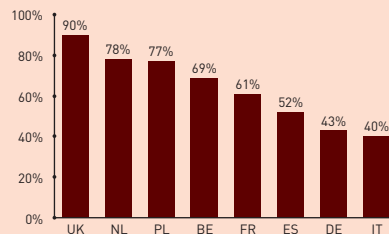
IS AGENCY WORK EFFECTIVE TO FIND A FIRST JOB?

% of respondents agreeing with the statement, 2010



IS AGENCY WORK EFFECTIVE TO FIND A FULL-TIME JOB?

% of respondents agreeing with the statement, 2010



High perceived value of agency work both to get into the labour market and find a full-time job

Note: AW = agency work
Source: Regards croisés sur l'intérim, l'Observatoire des Métiers et de l'Emploi, July 2010

Figure 32



PrES increase probability of finding permanent employment

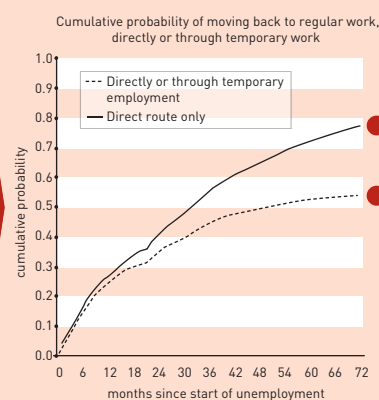
Example: The stepping stone effect in the Netherlands

SITUATION

- An academic study investigates to what extent agency work helps unemployed get back into the labourmarket faster
- To observe this the probability to get back into permanent employment at any point in time is being investigated for two different situations:
 - Engagement in agency work during time of non-perm. employment
 - Being unemployed

RESULTS

- Graph shows that probability of having found a job after certain time significantly increases if engaged in agency work
- Initially, difference is small because worker strongly attached to his agency work assignment
- Difference starts to spread after 1.5 years
- Difference increases over time indicating that experience accumulation is appreciated by user organizations
- Acceptance of agency work does not lead to time reduction in permanent position
- Study finds evidence that regular jobs found through agency work pay higher wages



Source: Marloes de Graaf-Zijl & Gerard van den Berg & Arjan Heyma, 2009. "Stepping stones for the unemployed: the effect of temporary jobs on the duration until [regular] work," Journal of Population Economics, Springer, vol. 24(1), pages 107-139

CASE STUDY 6: NETHERLANDS (FIGURE 32)

The impact of the stepping-stone effect is particularly important during times of recession when workers benefit from the opportunity to re-enter the job market after a spell of unemployment. A 2009 study carried out in the Netherlands by Marloes de Graaf-Zijl, Gerard van den Berg and Arjan Heyma¹⁴ finds that the probability of finding a job increases significantly if a worker is engaged in agency work and that this increases over time as user organisations appreciate the experience accumulated. The study also finds evidence that regular jobs found through agency work pay higher wages –providing further evidence of upward mobility. This study showed that some 80% of temporary agency workers move on to a permanent job within 12 months and the sector provides upward mobility in the workplace as they gain experience and expertise.

¹⁴ Source: Marloes de Graaf-Zijl & Gerard van den Berg & Arjan Heyma, 2009. "Stepping stones for the unemployed: the effect of temporary jobs on the duration until (regular) work," Journal of Population Economics, Springer, vol. 24(1), pages 107-139

PRIVATE EMPLOYMENT SERVICES INCREASE LABOUR MARKET PARTICIPATION AND DIVERSITY, LEADING TO MORE INCLUSIVE LABOUR MARKETS

Through the stepping-stone effect agency work provides access to employment for many people and thereby increases labour market participation and reduces segmentation. Based on Ciett and The Boston Consulting Group calculations, in 2010 more than 12 million workers in Europe used the services of private employment agencies to enter the labour market, change jobs or move upwards towards permanent positions (see Figure 33).

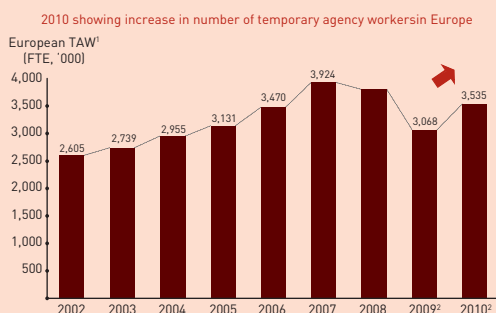
Figure 33

12 million people estimated to have worked as temporary agency workers in 2010

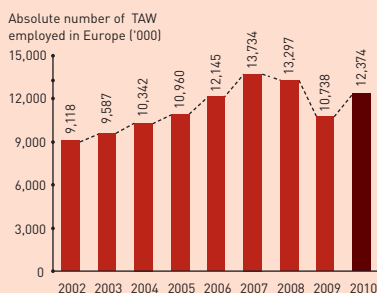
Calculations for Europe

WHEN APPLYING THE AVERAGE MULTIPLE OF FTE TO
TOTAL WORKERS TO THE EUROPEAN FIGURES...

Average multiple:
3.5



...ONE CAN ESTIMATE THE ABSOLUTE NUMBER OF
WORKER IN THE INDUSTRY IN EUROPE



1. Consistent group with previous strategic report; includes Austria, Belgium, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland, UK.
2. 2009 data estimated for Spain.
3. 2010 data estimated on basis of available data and extrapolated to all other countries.
Note: Some data points for individual countries were estimated on the basis of data from previous and subsequent years; TAW workers figures measured in daily average numbers (in full-time equivalents).
Source: Ciett national reports; randstad estimations; BCG analysis.

**The industry is a significant employer and provides
opportunities to a large number of individuals**

Source: Ciett national reports, BCG analysis

Private employment services help to drive up labour market participation. They are not only agents of job creation but they also increase the range of job options being made available in the labour market. The sector is particularly effective in placing disadvantaged and under-represented groups of society such as youth, women and the long-term unemployed and providing a way for them to start to access the job market and join the world of work.

One of the many services private employment services offer to disadvantaged workers is facilitating access to the labour market (taking care of the job search function on behalf of the jobseeker), allowing employers to recruit these disadvantaged workers with a low risk (probation period) and offering contractual arrangements that meet the constraints of these workers (need to gain confidence again by working part-time or for a limited period of time to start with).

By reducing illegal work as well as unemployment and by providing work opportunities for people who are furthest away from employment, private employment services increase labour market participation and diversity.

In recent years, practices in Europe have demonstrated that tailor-made active labour market policies are needed to deliver high levels of labour market participation and so the role of the industry in driving up labour market participation is important and warrants further exploration.

In addition to bringing large numbers of people into the workplace, agency work has a positive impact on gender balance in some markets – particularly those with a higher share of service industries.

In Argentina, Japan, Sweden and the US for example, women represent just 43%, 42%, 48 % and 47% respectively of the workforce as a whole but comprise 55%, 67%, 60% and 56% of the agency work market¹⁵. In Japan especially, private employment services have helped women to enter a labour market that historically had been closed. Acting as intermediary, private employment agencies were regarded as socially acceptable. The sector therefore identified work opportunities and then provided skills training in order to equip and prepare women for the work available. The employability of women is key to addressing talent shortages in many countries. Given the shifting demographics women's participation in the labour market will become increasingly important as the present economic lifestyle progresses.

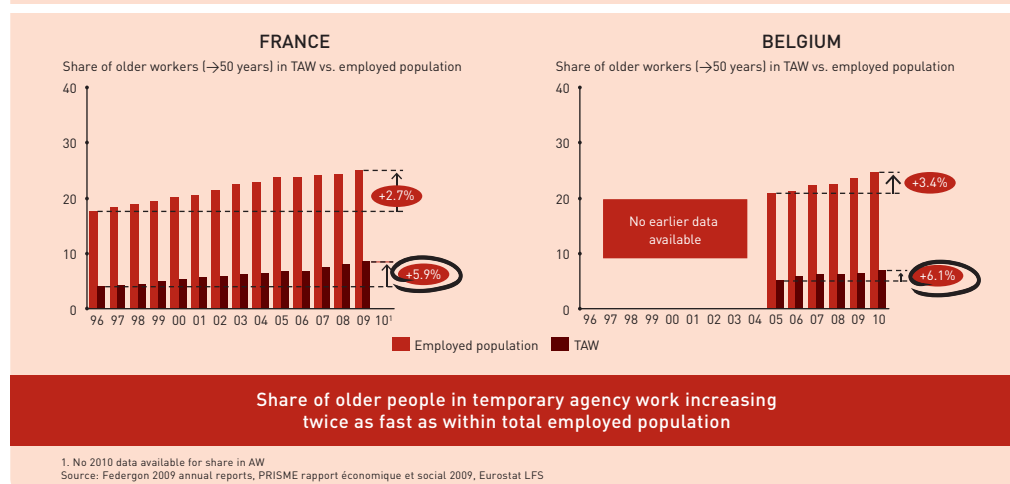
In a number of developed economies – notably in Europe and Japan – the ageing population levels and tighter economic circumstances will require older workers to stay on in the workplace for longer. Projections made for the EU by Cedefop, the European agency for vocational training, show that by 2020 replacement demand (mainly due to retirement) will amount to 73 million jobs¹⁶.

The share of older workers (50+) in agency work is increasing twice as fast as within the total employed population in some markets, although it is still currently under represented in the agency work industry (Figure 34).

Figure 34



Older people represent an increasing share of agency workers



¹⁵ Source: Ciett National Federations

¹⁶ Cedefop – Skills supply and demand in Europe - 2010

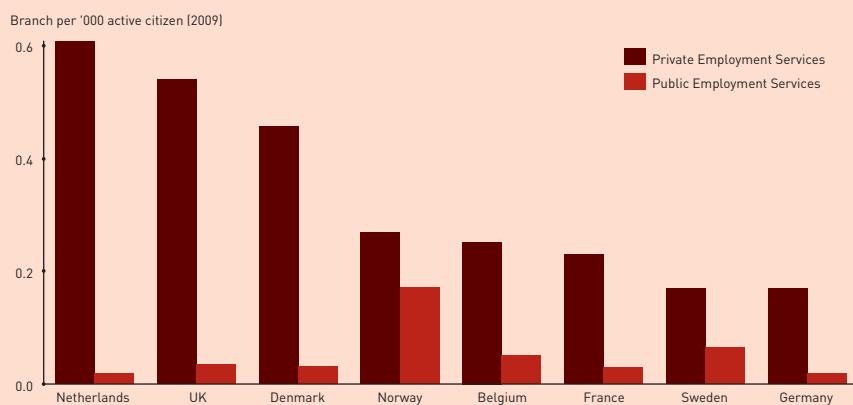
Driving labour market inclusion will be an increasing challenge in the northern hemisphere which will face a lack of workers. Being able to retain and integrate older people into the workforce will be crucial and projects initiated by the private employment services in Germany, Spain and the Netherlands have successfully used focused selection and trainings in order to provide internships and ultimately employment contracts for workers of 50+. In Spain, more than 6,300 people over 45 have re-entered the labour market and in the Netherlands specialised branches cooperating closely with public employment services have succeeded in getting older workers back into employment.

Private employment services have a far broader citizen reach than public employment services. This is due to the industry's extensive branch network (see Figure 35), number of devoted recruitment consultants and global presence.

The industry's extensive network capacity is also used for particularly vulnerable groups such as war refugees (see Figure 36), and allows the industry to be well positioned to drive inclusive labour markets in the decades to come. Other examples of initiatives developed by the industry to help people being furthest away from the labour market include training projects to combat illiteracy, campaigns to fight discrimination at work, programmes to support ex-convicts to get a job, or the setting up of non-profit organisations aimed at improving the lives of socially excluded people and communities.

Figure 35

Private employment services have broader reach than public ones



Netherlands and UK, countries with high agency work penetration, showing densest private branch network

Note: Number of PES in the UK estimated based on available branches listing and cities sizes
Source: Ciett, OECD, National Public Employment Agencies, BCG analysis

Figure 36



PrES help war refugees find employment Sweden

SITUATION

A small Swedish municipality and a private employment agency have formed a joint company for helping refugees with residence permits and the long-term unemployed gain employment quickly

Objective

- Try alternative routes to increase the share of self-support among difficult to integrate population
 - Currently it takes 7 years for a male refugee and 11 years for a female one to become self-supported
 - Over 70% have no working experience in Sweden
 - Over 50% had income support for more than 3 years
 - Over 50% have a weak level in Swedish
- Stop rising segregation and stop the increase in benefit payments
- Form an economically self-sustainable joint venture

ROLE OF PrES

Make the individuals job-ready and employable

- Strengthen self confidence and increase motivation
- Set realistic goals and help pass remaining administrative hurdles (Truck Driver license, etc)

Provide competencies to open doors to employment

- Find jobs and market participants
- Prepare and train candidates for the interview
- Provide support to the employers

Source: Ciett member

CHAPTER SUMMARY

With its stepping-stone function helping workers to enter the labour market and then to transition smoothly to ensure that they remain in employment, the private employment sector helps to drive inclusive labour markets and increase participation – particularly among the more disadvantaged groups in society. It therefore contributes to reducing segmentation.



Chapter 4

Private employment services contribute to matching and developing the skills needed in the labour market

“Private employment services ensure the selection process for the employees and ensure they have the right skills and abilities for the job”

— Philippe Haeberli, Head of technology and services, Swiss Post



MANAGING SKILLS TO DEAL WITH SEASONAL FLUCTUATIONS WITHIN SECTORS

Seasonal fluctuations have a high impact on many industries. The “classical” sectors experiencing fluctuation in demand on a seasonal basis and needing to adapt their staffing policies accordingly include:

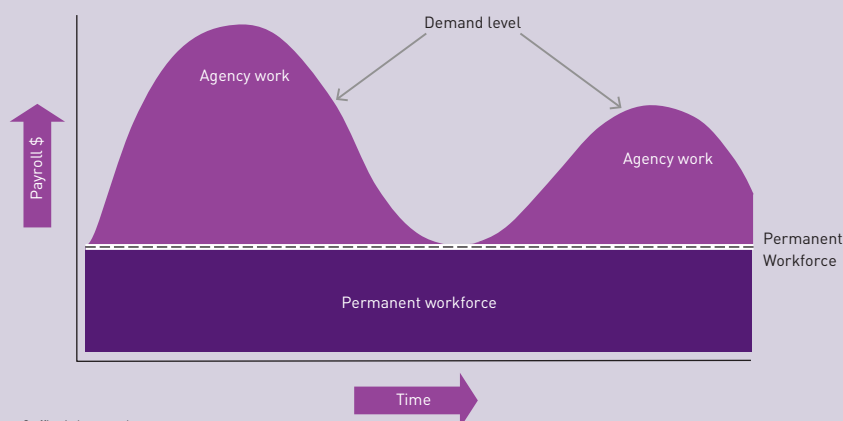
- Financial auditing, which needs to staff-up during the reporting season;
- Postal Services and the Catering sector which experience a seasonal uplift over the Christmas period;
- Commerce and retail;
- Construction sector which experiences variations related to the weather and the changing seasons;
- Tourism, which experiences high and low seasons.

While demand often follows a predictable pattern, companies nevertheless need to manage this change every year and plan for increases and decreases in their workforce. Some organisations are able to adapt to these changes on their own by reallocating resources while others require external support in ramping up their workforce to cope with the busy periods (Figures 37 & 38).

Private employment services, with their access to a wide pool of talent and ability to train workers in the skills that employers need, are well placed to support companies in such periods. As proven by data, the majority of the jobs therefore created by the sector that the sector creates are not substitutes for permanent employment, but are true additional jobs that otherwise would not have existed.

Figure 37

Agency work addresses variability in demand



Source: Staffing industry analysts

Figure 38



Seasonal fluctuations of agency workers in Germany (average 1995 to 2010)



Monthly evolution of agency work in Germany shows peak of activity in Summer months

Source: BAP

One illustration of this evidence is the fact that a significant part of agency work is drawn from the student population. Students are not looking for a permanent contract but for a couple of working hours on a weekly basis to get some money, combining it with first working experiences. The share of students within the agency workers population can be as high as 33% (as in Netherlands¹⁷). In Belgium, agencies supplied 173,845 student jobs in 2010¹⁸.

CASE STUDY 7: PRIVATE EMPLOYMENT AGENCIES AND SEASONALITY ON SWITZERLAND

Agency work is an important element of the construction sector in Switzerland, helping it to manage its strong seasonal variations in demand. At its peaks the industry employs some 340,000 people – an uplift of more than 10% (around 30,000) workers compared with quieter periods. Agency work penetration in the construction sector is 4.1%, compared with only 1.5% in the Swiss labour market as a whole. As such, the construction sector comprises some 19% of agency work assignments in Switzerland (See Figure 39)

¹⁷ Source Abu/Ecorys 2008

¹⁸ Source Federgon 2010

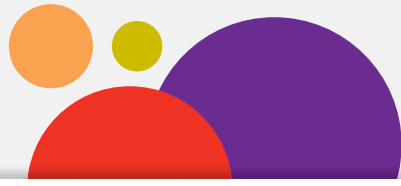


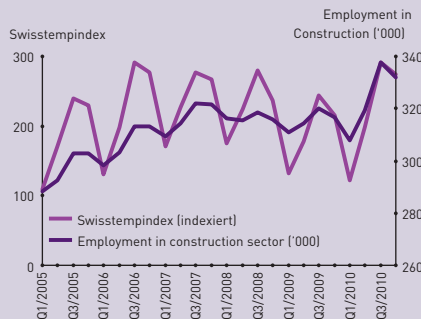
Figure 39

PrES help deal with seasonality in construction sector

Illustration: Switzerland



FLUCTUATIONS OF AGENCY WORK IN LINE WITH EMPLOYMENT IN CONSTRUCTION



AGENCY WORK AS IMPORTANT FACTOR FOR FUNCTIONING OF CONSTRUCTION SECTOR IN SWITZERLAND

Agency work is an important element of the construction sector in Switzerland

- Through agency work construction companies are able to balance their strong seasonal variations in demand
- The importance of agency work for the construction sector can be observed when looking at different figures
 - Agency work penetration rate in the construction sector is at 4.1% (6.6% in main construction industry) compared to only 1.5% in the total Swiss labour market
 - About 19% of agency work assignments are within the construction sector

PrES help companies to overcome economic barriers linked to strong seasonality

Source: Swisstaffing

CASE STUDY 8: PRIVATE EMPLOYMENT SERVICES AND SEASONALITY IN THE NETHERLANDS

The Netherlands postal service experiences a surge in demand and mail volumes during the Christmas and New Year period and is not equipped to manage this extra workload by calling on its internal resources. The private employment services industry provides an extra 3,000 workers each year in order to boost capacity and enable it to meet the increased demand.

CASE STUDY 9: PRIVATE EMPLOYMENT SERVICES AND SEASONALITY IN THE BELGIUM

In Belgium the football season brings a significant increase in staff needed at the stadiums. An in-house solution developed by a private employment agency now trains staff at the start of the football season (in July). A dedicated person from the agency coordinates all training and is present at every match to ensure that all needs are being met.

DEVELOPING SKILLS NEEDED TO MEET SECTORAL SHIFTS

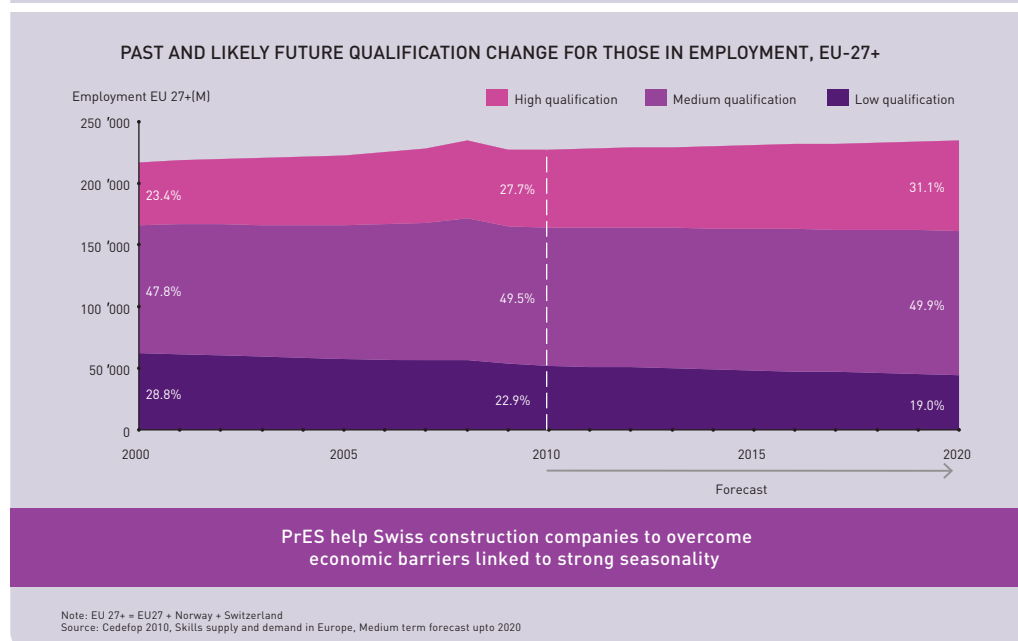
Global employment markets are facing an increasing demand for highly qualified people, with jobs increasingly requiring skills and higher or tertiary education. This request for higher skilled workers also reflects the sectoral shift taking place in many developed countries, where economies are turning more and more into services.

At EU level, Cedefop¹⁹ predicts that between 2010 and 2020, further substantial decline in employment in primary industries is projected (with a loss of around 2.5 million jobs, especially in agriculture). Job losses (around two million) are also expected in manufacturing and production industries. The main areas of employment growth are in services, especially marketed services and business, and other services are projected to see a growth of around seven million jobs.

As a result, across the EU 27, workers with professional qualifications will comprise more than 31% of the employed population in 2020 compared with 27.7% today. Meanwhile the percentage of workers with low qualifications in 2020 will be just 19% compared with over 28% in the year 2000 (Figures 40 & 41).

Figure 40

Increase in demand for highly qualified jobs will continue Forecast for Europe until 2020



¹⁹ Cedefop – Skills supply and demand in Europe – 2010

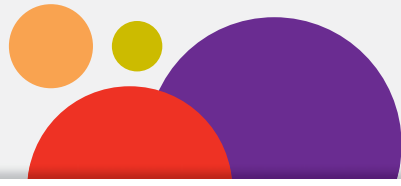
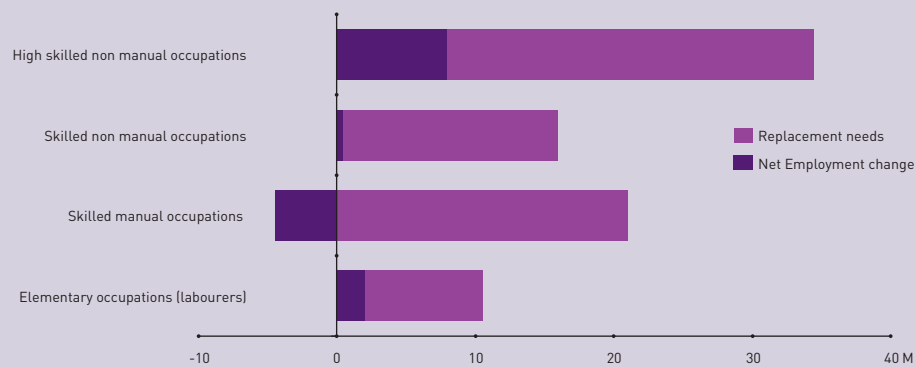


Figure 41

Europe will need more high-skilled workers for non-manual positions



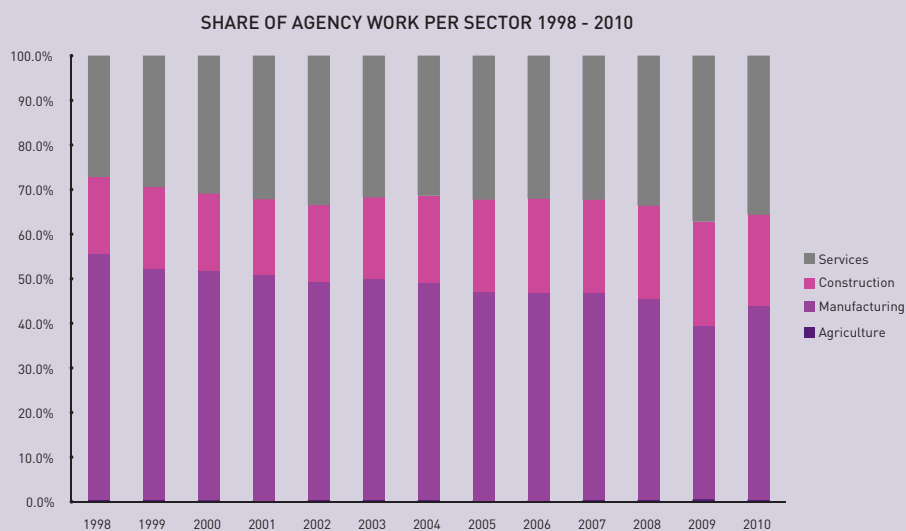
The private employment services sector is well placed to support this structural shift and deliver the skills needed in two ways. Firstly by helping workers to move from declining sectors to in-demand sectors.

Indeed, the activities of private employment services not only reflect but also help economies to adapt to sectoral shifts. As an illustration, the percentage of agency workers placed in service industries has risen some 10% in the past ten years in France, while numbers of agency workers assigned in the manufacturing industries decreased significantly (see Figure 42).

Figure 42



Use of agency work in services sector growing in France

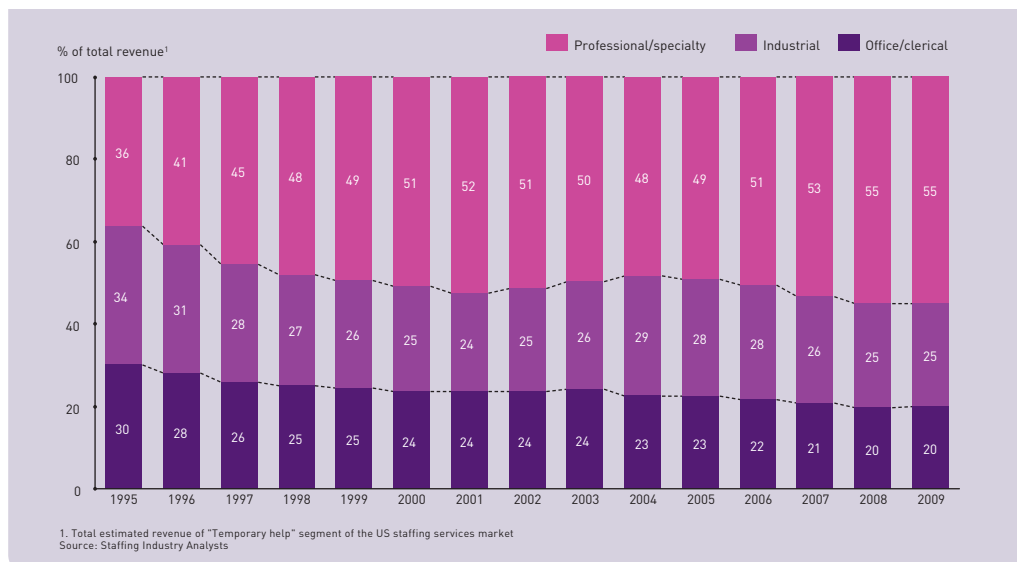


To accompany this shift to more services-oriented economies, demand for higher skilled workers is increasing. Private employment services have proven successful in meeting the demand caused by shifts in sectors. In the USA, the professional sector (i.e. higher skilled agency workers) has seen significant growth and now accounts for 55% of the staffing market compared with just 36% back in 1995 (see Figure 43).

Figure 43



High skills segment now over half of US staffing market



Private employment services have the ability to assign workers to economic sectors where the skills demand might be higher. In France, over a 20-month period (from March 2009 to November 2010), one third of surveyed agency workers employed in the manufacturing sector have moved into other sectors, mainly into services (Figure 44).

The second contribution of private employment services to address the mismatch of skills and to plug the talent gap is training. The private employment services sector is well placed to support this need for greater vocational training and upgrading of skills. In Europe, in addition to the substantial training schemes directly developed by private employment agencies, the industry has also set up sectoral bipartite managed training funds in 7 countries (Belgium, France, Luxembourg, Netherlands, Italy, Spain and Austria) to facilitate access to vocational training for agency workers. More than € 500 million is invested every year by these training funds in schemes specifically designed for agency workers. (Further reference to training funds is made in Chapter 5).

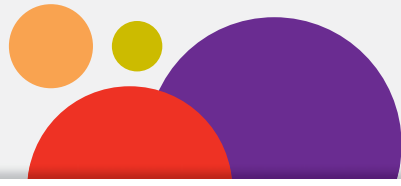


Figure 44

33% of agency workers in industry moved to agriculture, construction or services

Sector transitions between March 2009 and November 2010 in France



TRANSITION MATRIX – SECTORS

Employment sector March 2009 \ Employment sector November 2010	Agriculture	Construction	Industry	Services/Retail
Agriculture ¹	24%	22%	29%	25%
Construction	–	70%	17%	12%
Industry	2%	7%	67%	24%
Services/Retail	–	6%	24%	70%

1. Low base 29
 Note: 1775 Employed people interviewed in november 2010
 Source: BVA

Training lies at the very core of the sector and is central to its role in meeting demand with supply in employment markets. The industry stays is intrinsically connected to the workplace and best placed to understand the changing needs of employers and employees, thereby enabling it to step in and train workers to meet these needs. By acting as an agent to workers it helps them to access the next assignment and ensure that they can transition easily to further employment. Vocational training for agency workers is demand driven, in unison with the labour market's need and organised in close cooperation with user companies with a short term and pragmatic approach catering especially well to lower skilled workers.

As the data reveals, agency workers receive more training than fixed term workers and regularly undergo training to find new job opportunities (Figure 45). Due to the heavy representation of younger people in private employment services, 70% of agency workers undergoing training are younger than 35 whereas only 50% of permanent workers trained fall within this age bracket.²⁰

Private employment services go above and beyond other employers by providing constant skills training to ensure that their workers are equipped to meet the needs of employment markets. The correlation between acquired skills and employability stands more than ever and is a key indicator to avoid long bouts of unemployment and better transition to new employment opportunities.

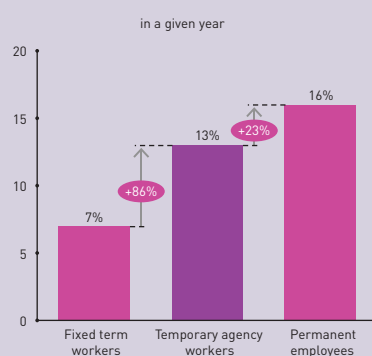
²⁰ STOOF April 2010

Figure 45



Agency workers receive more training than fixed term workers Netherlands example

SHARE OF WORKERS UNDERGOING TRAINING



Note: Students that simultaneously work as AW are excluded from this statistic.
Source: Trainingmonitor agency work sector – Research commissioned by STOOF – April 2010

TRAINING DIFFERENCES BETWEEN WORKERS

- Fixed term workers do not belong to a formal structure hence get less training benefits
- Agency workers are usually less qualified than permanent workers when starting
- Agency workers and permanent employees starting without qualification undergo the same amount of training
- Agency workers in training mainly hold intermediate positions and undergo training to find new job opportunities
- Agency workers often undergo longer training
- 70% of agency workers undergoing training are younger than 35 whereas only 50% of permanent workers trained are younger than 35 years

INCREASING SKILLS MOBILITY TO ADDRESS DEMOGRAPHIC CHANGES

The coming decades will see an increasing global mismatch of talent and employment as ageing populations in some parts of the globe are balanced by newly emerging economies in other regions. The northern hemisphere will experience a significant talent shortage with the USA needing an extra 25 million workers by 2030 in order to sustain economic growth, while Europe will need 35 million extra workers by 2050. Meanwhile, in many southern hemisphere countries, there will be workforce surpluses, with a projected 45 million new entrants in global job markets each year. This will be compounded by a talent gap in developing countries with untrained workers available (see Figure 46).

Private employment services increase mobility in the labour market and in doing so help to meet the diverse needs of labour markets. Thanks to their global presence and network of branches all around the world, they can deliver geographic mobility and organise work migration in a secure way.

Through their extensive knowledge of local labour markets, private employment services are able to source existing talent in almost any country and arrange for these workers to work abroad. They provide this service swiftly and if the workers do not have all the skill sets needed they will arrange for immediate training to bring them up-to-speed. The ability to provide mobility across geographies is well illustrated by the case of the private employment services in Poland supplying skilled workers to Norway (Figure 47).

CHAPTER SUMMARY

With training as a central core of the private employment services model, the sector ensures that workers have the skills needed to meet the job opportunities in the marketplace. With emerging technologies and the increasing need for a skilled workforce, the sector can play a crucial role in matching supply with demand and closing the skills gap across sectors and geographies

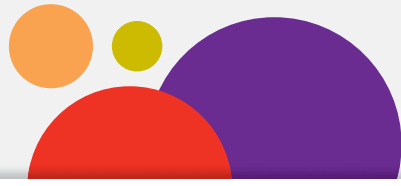


Figure 46

Increasing demand for matching labour needs

Aging of population and talent gap foreseen as major shifts

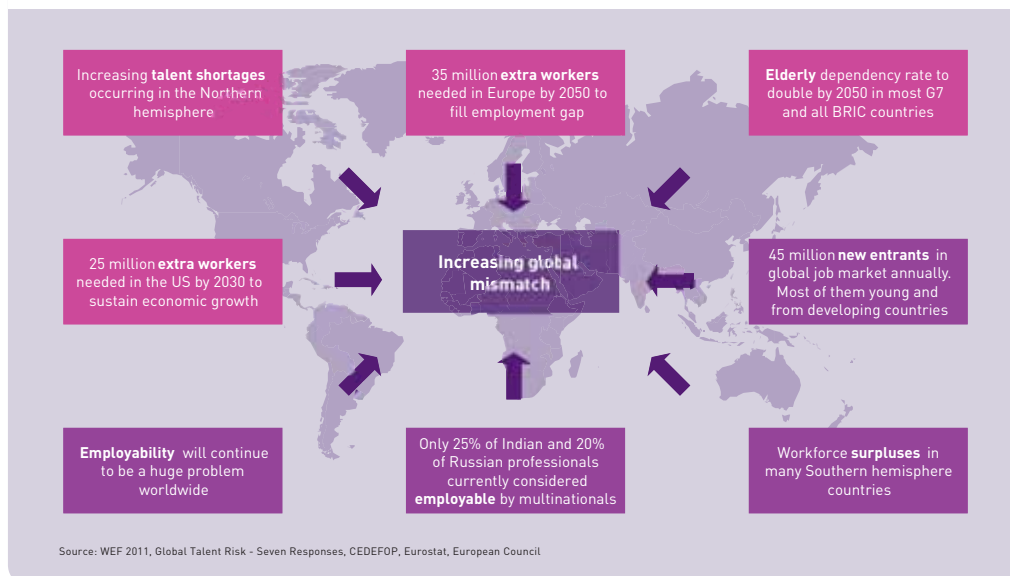


Figure 47



PrES source and develop skills abroad to match demand

Example: Private employment agency's campuses in Poland to supply Norwegian market

Private employment agency's campuses in Poland

- Agency is operating two recruiting and training campuses in rural areas in Poland specifically to serve the Norwegian labour market
- Intensive screening and recruitment process takes place within these facilities
- Following training & support programs within the campuses reach from 2-5 months language courses over cultural and job specific training to administrative support regarding the assignment

CONSTRUCTION WORKERS

Situation

- The Norwegian market is characterized by low unemployment rates which leads to underrepresentation of different skill sets in the Norwegian labour force
- In contrast many rural areas in Poland are facing high unemployment and have a large population of skilled workforce especially in the construction environment

Results

- Through the facilities in Poland skilled workers are being identified, recruited and extensively trained (e.g. language)
- Workers receive further job specific training in Norway
- The overall involvement supports work mobility and perfectly matches different supply & demand situation across borders

PRE-SCHOOL TEACHERS

Situation

- Until recently, about 60% of children in Norway got a place in one of the countries pre-school facilities
- The Norwegian government recently introduced a guarantee for every child to get access to such an institution
- This in turn lead to a significant lack in qualified pre-school teachers in Norway

Results

- Through the campuses in Poland, qualified educational staff is being recruited to fill the gap in the Norwegian pre-school teaching environment
- Extensive training programs needed to cope with local requirements (language, knowledge of local culture, etc.)
- After first suspiciousness within the Norwegian population, this practice is now fully established and valued by all parties

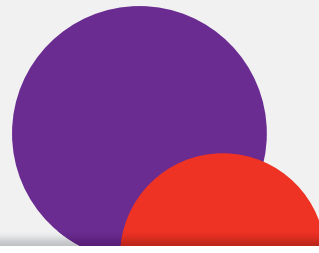
Source: Norwegian national federation (NHO Service), expert interviews, press research

Chapter 5

Private employment services deliver decent work

“Private employment services are often very valuable for workers in terms of the opportunities offered and the possibility to gain experience,”

— John Martin, OECD Director for Employment, Labour and Social Affairs



Those forms of labour contractual arrangements which are not properly regulated or can easily be misused (e.g. bogus self-employment, civil contracts, subcontracting), can lead to low quality jobs and malpractice. By principle, flexibility provided by private employment services should be seen as an embodiment of decent work, far away from the debate on indecent or precarious work.

In its Decent Work Agenda, the International Labour Organisation (ILO) identifies four strategic goals:

- creating decent and productive employment;
- promoting access to social protection systems;
- respect for core labour standards;
- stronger dialogue between the social partners.

The assessment of these goals leads to the conclusion that appropriately regulated and organised private employment services contribute to decent work. Indeed when compared with other forms of external flexible work (fixed term contracts, on-call work, outsourcing, self-employment, undeclared work), agency work provides clear advantages.

While the cited forms of labour relations allow for agreeable conditions to varying degrees, no other form of flexibility than agency work provides the same level of benefits to both organisations and workers than agency work. The unique nature of private employment services is related to their intermediary function in labour markets and the triangular relationship between the employee, the user organisation and the agency on which it is based.

The triangular relationship is a widely accepted form of employment relationship and is officially recognised by the EU with Directive 2008/104/EC on temporary agency work as well as by the ILO with its Convention on private employment agencies (n° 181). In this relationship, the private employment agency remains the employer of the agency worker, who is placed at work in the user company under the supervision of the user company. As a consequence:

- The private employment services industry is a fully fledged sector of the economy, being able to negotiate employment and working conditions for both its permanent and temporary workers;
- The private employment services industry is committed to social dialogue and collective bargaining as a way to regulate the sector;
- Private employment services' interests are heavily aligned with those of the workers; they have a common interest in developing modern social protection schemes that fit with the specific nature of agency work;
- The private employment services industry is calling for appropriate regulation to be adopted for its sector (in countries where such regulation does not exist yet) and keeps on promoting enhanced quality standards as a way to fight against rogue and unethical agencies that harm the image of the sector and lead to unfair competition and social dumping.

AN INDUSTRY COMMITTED TO SOCIAL DIALOGUE

The private employment services industry is an economic sector on its own thanks to the triangular relationship that exists between an agency, a user-company and a worker (who is the employee of the agency). As such, the industry differentiates itself from other forms of employment and is recognised as a fully fledged sector of the economy by international regulatory organisations such as the International Labour Organisation (ILO) as well as the European Union (EU). At global level, the ILO has adopted a dedicated Convention (n° 181) on private employment agencies and a supplementary Recommendation (n°188). At the EU level, a Directive on temporary agency work was adopted in 2008, with the deadline for implementation set at December 2011. In addition, the European Commission has officially recognised agency work as a sector on its own: the industry formed a sectoral social dialogue committee with its trade union counterpart in 1998 and is currently one of the 40 sectoral social dialogue committees operating at EU level.

Because agency workers are the employees of the private employment services (whether temporary or permanent), the sector is in a position to negotiate their employment and working conditions. Where relevant, these employment and working conditions are negotiated with trade unions as the agency workers' representatives. Therefore, as the only form of flexible work organised as a sector on its own, the industry itself has concluded a large number of collective labour agreements with trade unions at national level to advance the rights of agency workers, especially in Europe (see Figure 48). In Japan, the Japanese Staffing Services Association (JASSA) signed a joint declaration with Rengo, the Japanese trade union confederation in 2010 on how to improve the treatment of agency workers and promote fair practices within the industry.

CASE STUDY 10: SOCIAL DIALOGUE IN ACTION IN SOUTH AFRICA

The South African Confederation of Associations in the Private Employment Sector (CAPES), has entered into a Memorandum of Understanding (MOU) with The Federation of Unions of South Africa (FEDUSA), the second largest trade union federation in South Africa. The MOU addresses the need to understand the barriers to social dialogue within the agency worker environment. Part of this pilot included access to union membership for more than 800 agency workers – who all receive full benefits of membership – for 12 months paid for by CAPES. The MOU also created a dedicated call centre for agency workers, that cater for agency workers across the country who require advice and assistance about their rights. Social partners continue to meet on a monthly basis to find ways to engage (agency and union) effectively and to find solutions to the issues raised by agency workers through the call centre.

Figure 48

A sector committed to social dialogue

Countries/ EUROPE	Cross- sectoral	AW sector	AW company (own staff)	User companies
Austria		☒		☒
Belgium	☒	☒	☒	☒
Denmark		☒	☒	☒
Finland		☒	☒	☒
France		☒	☒	☒
Germany		☒	☒	☒
Ireland	☒			☒
Italy		☒		☒
Luxembourg		☒		☒
Macedonia		☒		
Netherlands		☒	☒	☒
Norway				☒
Poland	☒			
Portugal		☒		
Spain		☒		☒
Sweden	☒	☒	☒	☒
Switzerland		☒		☒
UK	☒		☒	

Countries/ Rest of World	Cross- sectoral	AW sector	AW company	User companies
Argentina				☒
Australia			☒	☒
Brazil	☒	☒	☒	☒
Chile ²	-	-	-	-
Colombia ³	-	-	-	-
Japan ⁴		☒		
New Zealand			☒	☒
Mexico		☒	☒	☒
Peru ³	-	-	-	-
South Africa	☒	-	-	-

Notes

1) In the UK, cross-sectoral level refers to a single agreement between CBI and TUC rather than to collective bargaining as such.

2) Collective agreements are not allowed for agency workers (20.123 law, art. 304 & 305).

3) There are no CLAs in these countries.

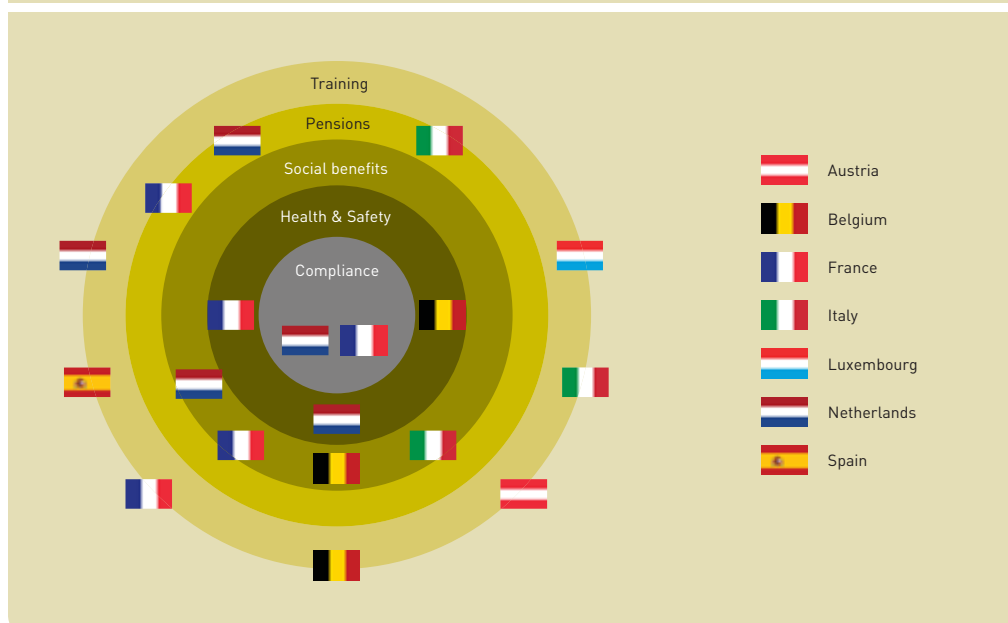
4) In Japan, AW sector refers to a single agreement between Rengo and JASSA rather than to collective bargaining as such.

Source: Eurofound & Ciett

These collective agreements, leading to higher levels of protection for the agency workers, can include better access to vocational training, complimentary health insurance or pension schemes, health & safety at work and extra social benefits. They can be negotiated at cross-sectoral level (between national social partners), sectoral level (between social partners of the agency work industry), agency work level (between a private employment agency and trade unions established in the premises) or at user company level.

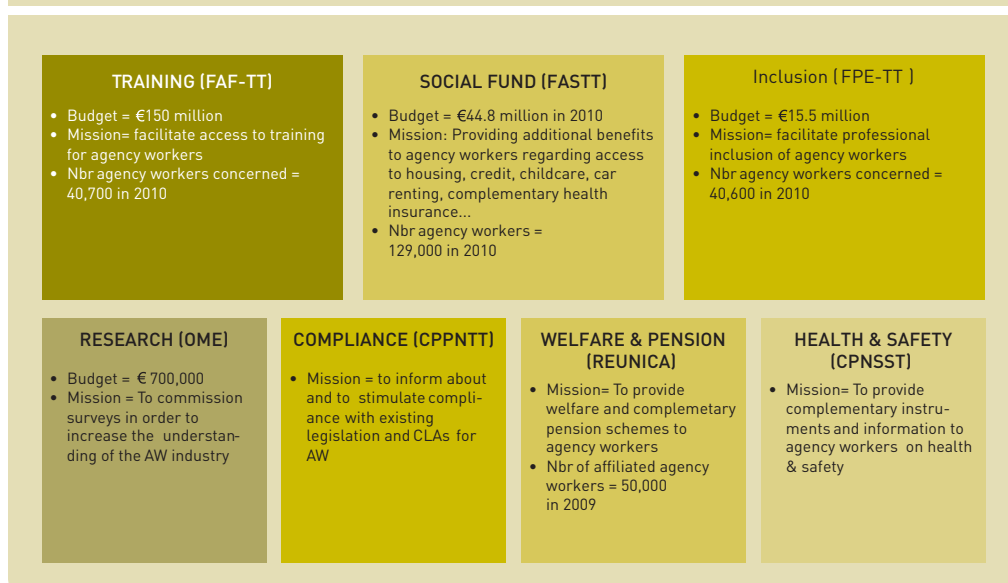
In several European countries, jointly managed bodies have been established by the industry's social partners to improve the employment and working conditions of agency workers (see Figure 49).

Figure 49

Bipartite bodies in Europe for agency work

In countries like France (Figure 50), the Netherlands (Figure 51), Italy (Figure 52) and Belgium (Figure 53), these bipartite funds deliver a full range of services and benefits to improve the security of agency workers.

Figure 50

Social partners' bipartite bodies in France for the agency work industry

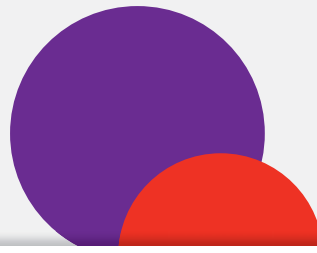


Figure 51

Social partners' bipartite bodies in the Netherlands for the Agency Work industry

TRAINING (STOOF) - Budget = € 2.6 million - Mission= Professionalise vocational training and career development for employees & improve mobility of agency workers - Nbr agency workers concerned = 23,120 in 2010	SOCIAL FUND (SFU) - Budget = € 5 million (0.2% from wages) - Mission: Providing additional benefits to agency workers regarding access to housing, credit, child-care, holidays... - Nbr agency workers concerned = 168,271 (active) and 466,039 (inactive) in 2010	CLA POLICE (SNCU) - Budget = €2,1 million - Mission = to stimulate compliance with existing CLAs for AW through enforcement as well as advice and educate on the application of the CLAs
HEALTH & SAFETY (STAF) - Budget = €900,000 - Mission= provide complementary instruments and information to agency workers on health & safety - Nbr of agency workers = 211,000	PENSION (STIPP) - Budget = €107 million - Mission= provide complementary pension benefits to agency workers - Nbr agency workers concerned = 660,000 (including 160,000 still working for an agency)	SELF-REGULATION (SNA) - Mission= Deliver quality certificates to TWAs and carry out compliance audits 2,400 agencies with certificate 4,700 inspections carried out in 2010 and 322 companies removed

Figure 52

Social partners' bipartite bodies in Italy for the Agency Work industry

- Budget = € 110 million - Mission= facilitate access to training for agency workers - Nbr agency workers concerned = 138,000 in 2010 TRAINING FORMATEMP	- Budget = €7 million - Mission: Providing additional benefits to agency workers (inclusion, health, health and safety, access to credit, childcare,) support to the management of social dialogue and carry out research on TAW - Nbr agency workers concerned = 4,978 in 2010 SOCIAL FUND (EBITEMP)	- Budget = €13 million - Mission= provide complementary pension benefits to agency workers PENSION (FONTEMP)
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Figure 53

Social partners' bipartite bodies in Belgium for the Agency Work industry

TRAINING (VFU-FFI) • Budget = €8.6 million (0.4% total wages) • Mission= facilitate access to training for agency workers • Nbr agency workers concerned = 25,116 in 2010	TRAINING SERVICES CHEQUES (FORM TS-VORMDC) • Budget = €7.6 million • Mission= facilitate access to training for workers employed through services cheques • Nbr workers concerned = 120,000 in 2010
SOCIAL FUND (SFU-FSI) • Budget = €200 million • Mission: Providing additional social benefits to agency workers regarding extra pay (end-of-year bonuses) • Nbr agency workers concerned = 120,000 in 2010	HEALTH & SAFETY (PI) • Budget = €820,000 • Mission= provide complementary instruments and information to agency workers on health & safety • Nbr of TAW staff trained= 30 in 2010

Through social dialogue, employers and trade unions of the private employment services industry work together to deliver decent jobs, high levels of social protection and a well trained workforce.

AN INDUSTRY DRIVING SOCIAL INNOVATION

The three-cornered model of agency, user-company and worker that defines private employment services is a driver of social innovation as it provides each party with ownership and a clear role.

The industry has contributed to setting up new ways to secure social protection for workers under labour relations that are different from permanent contracts. In several countries, the industry has developed schemes to ensure the portability and transferability of the agency workers' rights (health insurance, complimentary pension schemes, and training).

Indeed, the interests of private employment services are intrinsically aligned with those of its workers because as the industry will only benefit when its workers are employed in safe, secure and fair working environments. With the recognition of the value of the human capital, private employment agencies are looking to expand their investments in training and skills development of their workers in order to maintain and increase their employability.

In recognition of its capacity for social innovation, public authorities have involved the industry in organising new forms of labour contractual arrangements such as the "Portage Salarial" system

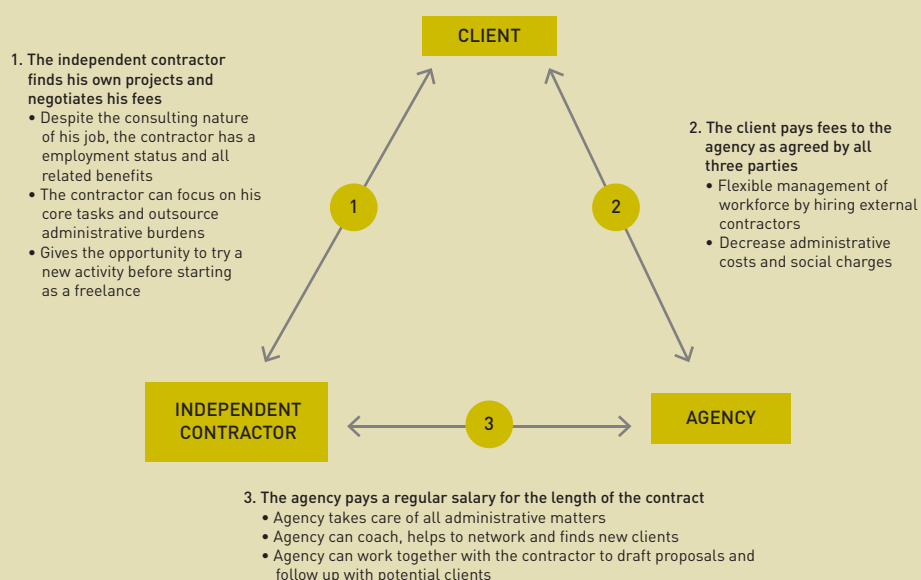


in France (providing an administrative platform for independent contractors – see Figure 54) and the voucher system in Belgium (for workers providing individual services in private households – see Figure 55). In both these cases the industry's expertise and knowledge has been put to best use to develop a new form of employment relationship and to fight illegal work.

Figure 54

PrES industry driving social innovation

France: In 2010, about 20'000 independent contractors worked under "portage salarial" scheme



1. Industry estimate
Source: L'intermédiation dans les relations d'emploi au travers des exemples du portage salarial et de l'intérim hautement qualifié, DARES, 2005

The French "portable salary" scheme which took place in 2010 is a key example of social innovation enabled by the industry. Some 20,000 independent contractors worked under the innovative scheme based on the original three-party model which enabled them to find their own projects and negotiate their fees while being able to outsource the administration and having the security of the employment status that enabled them to concentrate on the core task. The client continued to pay fees to the agency as agreed by all parties while enjoying a flexible employment solution that brought few administrative costs and social charges. The agency, as negotiator of the contract, took care of all administrative matters and maintained contact and relationships with both other parties.

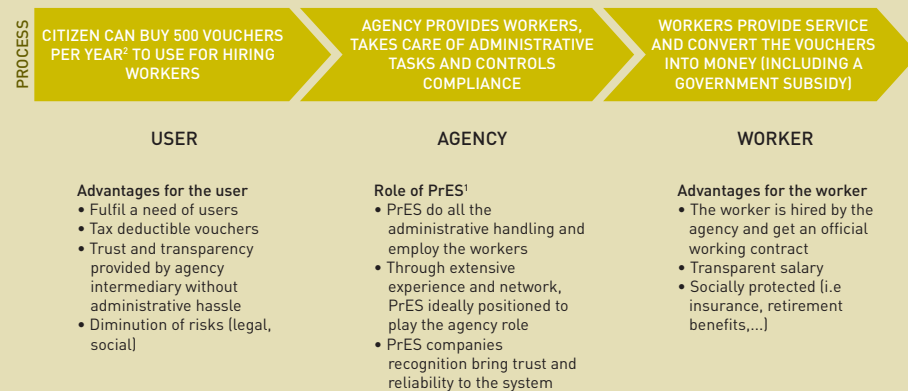
Private employment services also played a central role in the innovative voucher system developed in Belgium for self employed cleaning workers. The system allows users to buy up to 500 vouchers per year which are tax deductible and can be used to hire workers to clean their home.

Figure 55



A voucher system for self employed cleaning workers

PrES play a central role in this innovative system created and implemented in Belgium



1: 70% of workers go through commercial agencies dominated by PrES. The other 30% go through social action centres, communal centres, physical persons and local PES
 2: Except certain groups who can get up to 2000 vouchers per year (single parent families, handicapped persons,...)
 Source: Onem, Federgon, 2010

Figure 56



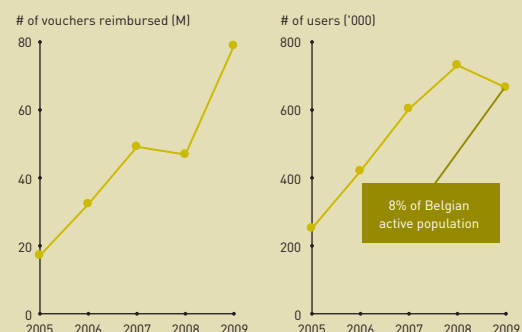
The voucher system is a great success in Belgium

97 million vouchers reimbursed in 2010

OUTCOMES OF THE PROGRAM

- 143,950 active workers in 2010
- 2,499 authorized agencies in 2009
- 97 million vouchers reimbursed in 2010
- Reduce unemployment and provide stepping stone to permanent employment
- Avoid illegal labour and abuses
 - 67% of users were using illegal labour before this system existed

GROWTH IN DEMAND AND USERS UNTIL 2009



The government is planning to widen this system to other activities than cleaning but at a controlled pace

1: 70% of workers go through commercial agencies dominated by PrES. The other 30% are social action centres, communal centres, physical persons and local PES
 Source: Onem, Federgon, 2010



The agency handles all the administration and matches user with worker and the worker gets an official working contract, a transparent salary and a range of social protection benefits including insurance and pension. The system has been an astounding success with 97 million vouchers reimbursed in 2010. It has reduced unemployment by employing 143,950 active workers in 2010 and brought workers out of the black economy and into the system where 67% were previously working illegally. (Figure 56)

A SECTOR PROMOTING THE NEED FOR PROPER REGULATION AND ENHANCED QUALITY STANDARDS

As responsible employers, the reputable private employment agencies call for proper regulation of their services to be adopted and also promote enhanced quality standards. They commit themselves to a transparent and sound governance of the industry, with a global confederation (Ciett) and regional ones (Eurociett, Northern and Southern AsiaCiett, CLETT&A, North America, Africa and Near East) representing the interests of the sector.

Ciett works closely with the ILO, the International Organisation of Employers and global trade unions to promote further ratification of Convention n°181 on private employment agencies. Ciett also adopted a Code of Conduct many years ago to which all of its members adhere.

In addition, the industry has developed specific tools to ensure that quality standards and regulation (whether by law or collective bargaining) are being enforced: In France (CPPNTT), Belgium (CNT) and the Netherlands (SNCU and SNA), bipartite bodies are in place to monitor and ensure compliance with existing regulation on agency work. In Belgium and Portugal, an Ombudsman office has been established to deal with complaints from agency workers and to look for remedies. In Sweden and the Netherlands, where no licensing schemes exist, a certification system is in place to check conditions under which private employment agencies operate.

Most national associations of private employment services have adopted their own code of conduct, code of practices or quality norms (see Case Study 10).

CASE STUDY 10: SELF REGULATION IN THE UNITED KINGDOM

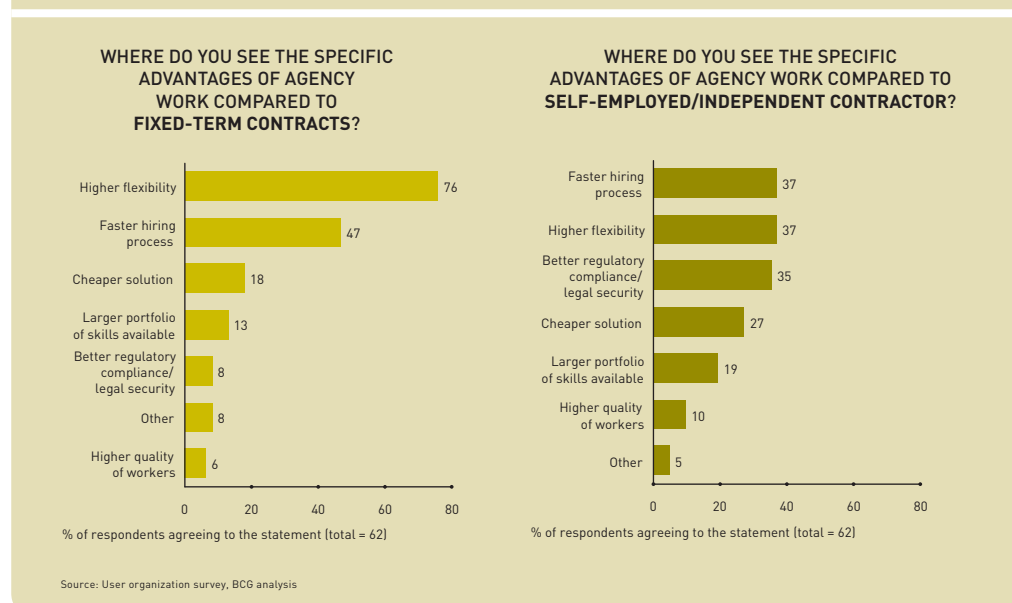
The Recruitment and Employment Confederation in the UK has a code of professional practice to ensure standards of quality in the industry. It has used a self-assessment questionnaire since 2007 to monitor compliance and leading to a major review of all compliance activity in 2011. Internal inspectors conduct regular inspections to ensure that members meet standards and any infraction is required to be rectified within six weeks if the organisation is to retain its place in the REC online directory.

AGENCY WORK PROVIDES CLEAR ADVANTAGES OVER OTHER FORMS OF FLEXIBILITY

Figure 57

Agency work provides clear advantages over other forms of flexibility

Higher flexibility and faster hiring mentioned compared to fixed-term and independent workers



Contracts such as on-call work, outsourcing, fixed-term contracts and self-employment can all be used to provide flexibility in the marketplace and have a role to play. They also provide benefits to varying degrees but no other form of flexibility provides the same level of benefits to both employers and workers as agency work:

- Fixed term contracts provide no prospect of ongoing work or assistance in finding another job and offer limited training opportunities;
- On-call work happens at short notice with high uncertainty and little protection or support in finding future work and it makes it difficult to secure other work to plug the gaps. For user organisations on-call work provides no support to manage the search and administrative processes;
- Outsourcing provides limited career building opportunities or relationship with the user organisation although it does deliver the same benefits as for full time employees. For user organisations there is only limited contact with or control over the employee;



- Self-employment offers no access to social benefits and training provided by agency work and little access to clients or prospects, and for companies it can raise compliance concerns and bring lack of quality control, especially for lower skilled workers;
- Illegal work is extremely precarious and offers no access to benefits or protection and no legal status. Employers using this type of work are clearly operating outside the law and opening themselves up to a range of risks.

When questioned about the added value of agency work, user organisations make reference to both a higher degree of flexibility (76%) and a much faster hiring process (47%) compared with fixed term contracts. They cited similar advantages over independent and self-employed contracts, also pointing out better regulatory compliance (35%) and the larger portfolio of skills available (19%) – see Figure 57.²¹

AGENCY WORKERS' HIGH LEVEL OF SATISFACTION REFLECTS DECENT WORKING CONDITIONS

While private employment services meet the needs of user companies, evidence shows that they also suit the aspirations of workers too. High levels of satisfaction are recorded among agency workers and it data shows that the stepping-stone function provided by the sector meets the needs of a growing number of people.

The private employment industry also manages the task of finding work. It has a job already lined up when the current position ends and vows to ensure that the worker remains in employment throughout. It identifies where skill-sets will be needed in the future and provides training and skills enhancement to equip the workers to carry out the jobs identified. This ensures that workers keep their skills up-to-date and increases the worker's chances of finding ongoing employment. Private employment services act as "career agents" to the workers and provide them with guidance on how best to start and build their professional life.

In many countries, agency work is today recognised as a lifestyle choice and agency workers show high levels of satisfaction with the flexibility and work/life balance that agency work affords them. Research from the French bipartite institute L'Observatoire des Métiers et de l'Emploi showed that in France over 90% claimed to be satisfied with both the interest of the work and the quality of the relationship with the agency, and 89% satisfied with the work/life balance they had achieved (Figure 58).

In Belgium, among senior workers the satisfaction levels are equally high with 91% of senior agency workers saying they would recommend agency work to a person of their age (Figure 59).²²

As the research reveals, a real irony lies in the seeming mismatch between the perceptions of those working in the agency work industry and those observing it. While 91% of people employed in agency work in France have a positive impression of the work, only 69% of workers employed in the private sector have a similar view, with a significant percentage being wary of

²¹ Source: BCG Survey 2011

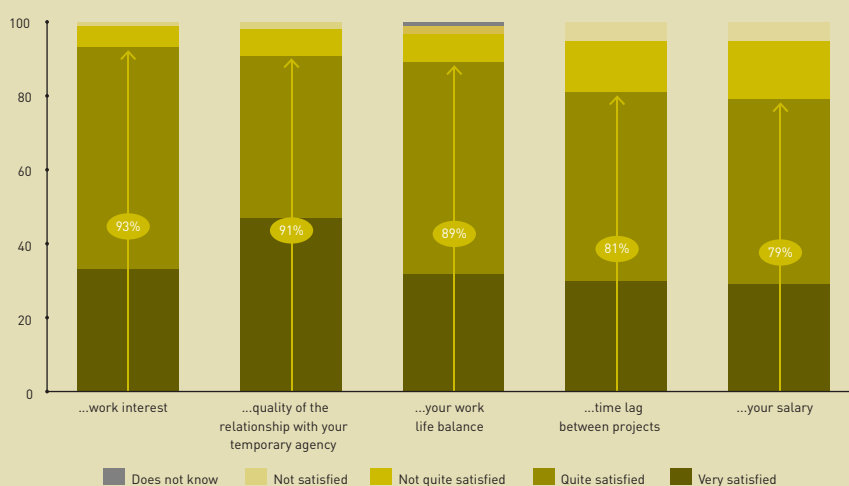
²² L'Observatoire des Métiers et de l'Emploi - April 2011

Figure 58



Satisfaction among agency workers is very high

HOW SATISFIED ARE YOU OF YOU AGENCY WORK EXPERIENCE WITH REGARD TO...



Source: Regards croisés sur l'intérim, l'Observatoire des Métiers et de l'Emploi, Avril 2011

Figure 59

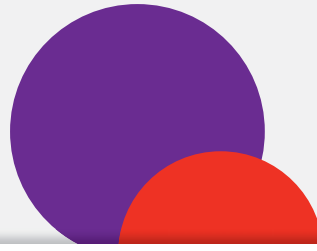


Agency work serves the needs of older workers well Example: Belgium



91% of senior agency workers would recommend agency work to a person of their age

Source: Les travailleurs intérimaires âgés de plus de 45 ans - Federgon and IDEA consult - July 2004



agency work. This statistical anomaly can largely be explained by misconceptions surrounding the industry and its workers. The industry embraces such data as an invitation to bring greater understanding to governments, companies and citizens as to the role of the private employment services in well functioning labour markets and the place for agency work in supporting organisations in times of structural change.

CHAPTER SUMMARY

Agency work is the most secure form of external flexible work and is appreciated by both those who work in it and the companies that use it to manage their staffing needs. Private employment services provide decent work and are committed to negotiate with trade unions to find innovative solutions that meet the needs of workers, organisations and society.

Chapter 6

Efficient labour markets need relevant regulation of private employment services

“As a specific service provided by private employment agencies, if regulated appropriately, temporary agency work contributes to improved functioning of labour markets, fulfils specific needs for both enterprises and workers, and aims at complementing other forms of employment”

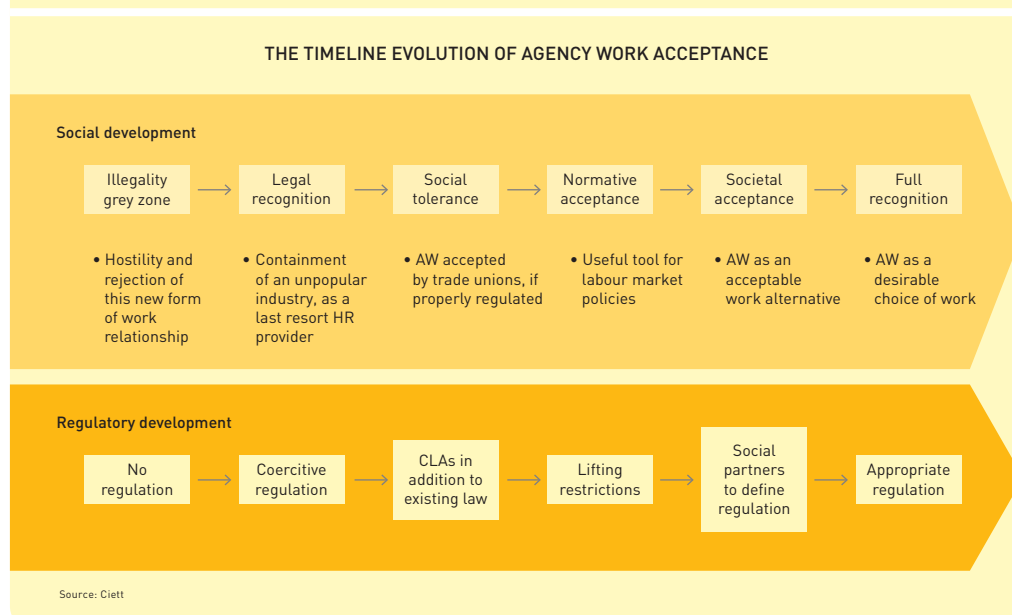
— Points of Consensus of ILO Workshop to Promote Ratification of the Private Employment Agencies Convention (2009)²³

²³ WPEAC-Points of Consensus
[2009-10-0237-3]-En.doc

To maximise the benefits of private employment services in delivering greater labour market efficiency, an appropriate regulatory framework must be in place. Private employment services are already a “highly regulated industry” in many markets around the world, with in some cases a mix of legislation, collective labour agreements and self-regulation²⁴. In some other countries, the industry is still at an early stage of development, and proper regulation needs to be adopted in order ensure all rights are enforced and to gain social acceptance for this form of work (Figure 60).

Figure 60

Agency work markets tend to go through stages of development



RELEVANT REGULATION ON PRIVATE EMPLOYMENT SERVICES SHOULD BALANCE FLEXIBILITY WITH SECURITY

The sector itself recognises that an appropriate and balanced regulatory framework is an essential pre-requisite for the acceptance and the sound development of the industry. For this reason the industry is very supportive of international instruments that provide guidelines to regulate private employment services, such as the International Labour Organisation’s Convention 181 on private employment agencies and its accompanying Recommendation n°188. Ciett is working jointly with all relevant stakeholders (ILO Office in Geneva, the International Organisation of Employers and global trade unions) to promote further ratification of Convention 181.

At EU level, Eurociett is fully supportive of Directive 2008/104/EC on temporary agency work that has established the principle of equal treatment between an agency worker and a permanent worker in the user company and a clear recognition of the role social partners can play in regulating the sector through collective labour agreements.

²⁴ Cf. Eurofound report on “Temporary agency work and collective bargaining in the EU”, 2008

In this context, achieving an appropriate balance between flexibility and security is key if the potential of the industry to increase labour market efficiency is to be realised for the benefit of all actors involved.

An effective regulatory system needs to maintain flexibility for all parties – enabling companies to respond quickly to changing economic circumstances and allowing workers to achieve the work/life balance they desire. It also needs to provide a level of security for both parties: companies require legal security when contracting flexible work and access to skills while workers demand work security, continuity of rights between assignments and the possibility to maintain and develop employability.

In conjunction with Ciett, The Boston Consulting Group developed three key instruments in order to come up with recommendations on the correct level of regulation, drawing on a Regulatory Efficiency Index on private employment services, a Labour Market Efficiency Index and a Country Cluster analysis.

PRIVATE EMPLOYMENT SERVICES ONLY CONTRIBUTE TO BETTER FUNCTIONING LABOUR MARKETS WHEN APPROPRIATELY REGULATED

To assess the regulatory environment and the different areas of private employment services development, the Boston Consulting Group and Ciett devised the “Private Employment Services Regulatory Efficiency Index” aimed at assessing the degrees of flexibility to operate and security for workers.

The outcome of the index is calculated using 10 dimensions of development, each further divided into specific criteria to assess the level of development of each indicator in the country. Each dimension can be awarded a maximum of 10 points – 0= least developed, 10= best stage of development - and adjustments and weighting of the criteria are made within each dimension (see Figure 61).

A – These three dimensions relate to the **Right of Establishment**, addressing legal recognition, limitation on services and any unjustified restrictions.

B – These two address the **Right to provide services and Contract, addressing** the ability to offer full the range of contracts and the removal of restrictions on private employment services.

C – Two further cover the **Right to negotiate and Social protection**, addressing agency work as a sector on its own and covering the sector’s ability to implement social protection for agency workers.

D – The final three concern the **Right to contribute to labour market policies**, addressing access to training, public/private partnership between employment services and the commitment to fighting illegal practices.

Figure 61

Key dimensions of PrES Regulatory Efficiency Index 2011

Index assesses degrees of flexibility to operate and security for workers

A – Right of establishment

1. Legal recognition of the triangular work relationship in all countries
2. No limitation of services to be delivered (real private employment agencies)
3. No unjustified and disproportionate barriers to enter the market

C – Right to negotiate & social protection

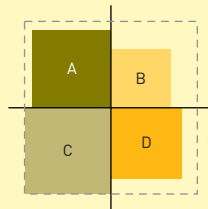
6. AW recognized as a sector on its own
7. Ability to implement social protection for agency workers that can be capitalized and portable

B – Right to provide services and to contract

4. Ability to offer the full range of labour contracts (no limitations or restrictions)
5. Removal of key restrictions on the use of AW¹

D – Right to contribute to labour market policies

8. Access to training for agency workers to be as broad and easy as possible
9. Existence of public-private partnerships in terms of employment services
10. PrES are committed and involved in the fight against illegal practices and unethical agencies



1. Sectoral bans, caps on number of agency workers, reasons of use, maximum length of assignment, obligations to consult trade unions, renewals
Source: Ciett, BCG analysis

The results of the Regulatory Efficiency Index show significant differences between countries (Figure 62): Countries with no specific or outdated regulation of agency work rank poorly in terms of Regulatory Efficiency Index (such as Turkey, Argentina, Chile, Greece, Luxembourg, Spain) while more mature markets in which regulation of private employment services has been developed and adjusted regularly to the needs of the labour markets show top scores (e.g. the Netherlands, Sweden, USA, Denmark, UK, Australia, Belgium, Germany, France).

The research provides strong evidence that markets can only operate truly efficiently if relevant and up-to-date regulation is in place, including a key role to play for social partners in balancing flexibility with security.

A particular correlation between the Regulatory Efficiency Index score and agency work penetration can be observed (Figure 63). Countries where private employment services are regulated in the most efficient way foster those regulatory conditions where the industry is the most developed and can contribute to better functioning labour markets.

Figure 62

Results of Regulatory Efficiency Index

Significant differences between countries regarding index score

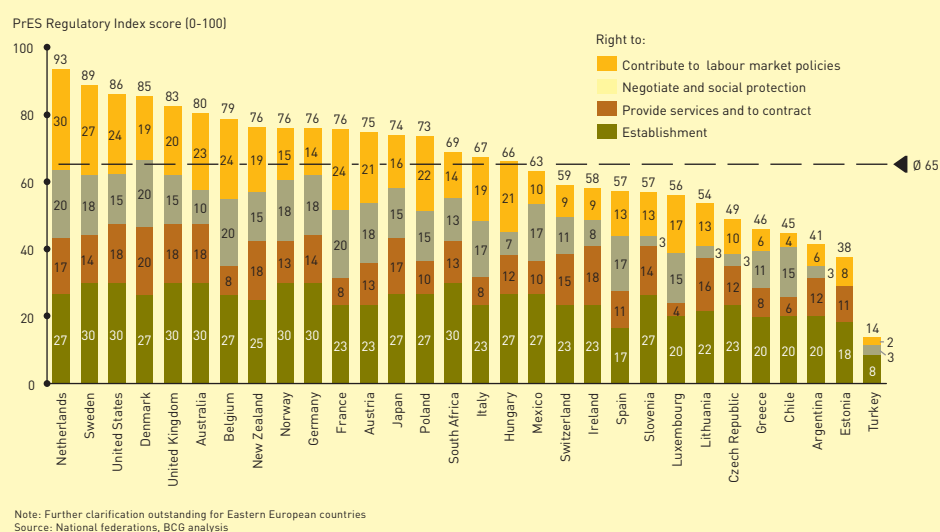
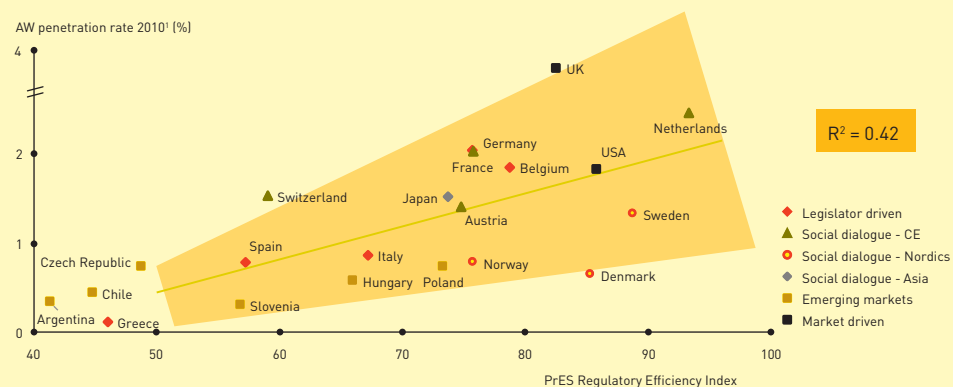


Figure 63

Right level of regulation allows agency work to contribute to labour market

Clear correlation between AW penetration and Regulatory Efficiency Index score



High correlation also within clusters
representing different stages of maturity

1. Only 2009 data available for Norway, Hungary, Slovenia, Greece, Austria, Czech Republic, Chile, Denmark
Note: No penetration rates available for NZ, MX, TR, AU, EE and LT; Not included in correlation due to exceptional situation or data issues: ZA, IE and LU
Source: National federations, BCG analysis



PRIVATE EMPLOYMENT SERVICES OPERATE IN SIX TYPES OF ENVIRONMENT

Private employment services are inextricably linked to the nature of labour markets and these can be complex and vary from country to country. Clustering countries by their political and social systems, the impact of regulatory regimes and socio-economic and even the historic social dynamics, enables specific areas for improvement to be identified for each.

The Cluster groupings are based on three dimensions: Market dynamics – evaluating the social and economic system in the country, how labour markets perform historically and today, and the value the economy places on the labour market; Industry development – when private employment services were officially recognised, how they have developed and the stage reached today; and Regulatory environment – the regulatory environment for private employment services and how they perform on the Regulatory Efficiency Index and why.

Based on these dimensions, four main types of environments were identified:

1. **Market driven** – Countries where private employment services and labour laws are relatively liberalised and corporations enjoy a high degree of freedom in determining the most suitable form of employment. Self-regulation also plays an important role in this cluster.
2. **Social dialogue based** – Countries where private employment services and labour laws are strongly influenced by negotiations between the social partners. In this environment social partners have the freedom to determine rules by negotiation.
3. **Legislator driven** – Countries where private employment services and labour law are mainly determined by government bodies and legislation both at national and regional level, with formal legislation comprising the main basis for labour law.
4. **Emerging** – Countries where private employment services are still young and labour laws and legislation are still being developed. Legislation is evolving with significant informal work in some cases.

Three important subgroups were identified within the social dialogue is based environment creating a total of six types of country cluster in which private employment services operate (Figure 64).

The market driven environments, based on the Anglo-Saxon model that includes the UK, USA, Australia and New Zealand have allowed rapid development of agency work and an open regulatory environment with liberal economies that have tended to favour flexibility over security.

The social dialogue based model can be broken down into three further subsets:

- West European countries including Austria, Germany, the Netherlands and Switzerland where the private employment sector is mature and above average penetration, flexibility and security are balanced and where labour markets are largely regulated by collective labour agreements between the social partners.
- Nordic countries including Denmark, Finland, Norway and Sweden where private employment services development is slow and the unique Nordic social economic system is at play.
- The Asian model – characterised by Japan - where the economy is liberal but a high value is placed on security and social acceptance.

Figure 64

The six types of environment where PrES operate

Important sub-groups based on nuances of social systems

MARKET TYPE	COUNTRIES	CLUSTER CHARACTERISTICS
1 Market driven	Europe	•UK
	Non-Europe	•US, Australia, New Zealand
2 Social dialogue based	Western Europe	•Netherlands •Switzerland, Austria, Germany
	3 Nordics	•Sweden, Norway, Denmark, Finland
	4 Asia	•Japan
5 Legislator driven	Western Europe	•France, Belgium, Luxembourg
	Medi-terranean	•Italy, Greece, Spain, Portugal
6 Emerging markets	Eastern Europe	•Eastern Europe
	Lat Am	•Latin America
	Asia	•India, China

The legislator driven model, characterised by countries in Western Europe and the Mediterranean where average agency work penetration is low with a focus on job security over flexibility and historically high unemployment compared with countries operating within the social dialogue model.

The Emerging Markets model could be seen in countries across Europe, Asia and Latin America and was characterised by a very recent recognition of private employment agencies and still evolving regulatory policies as well as economic and market dynamics.

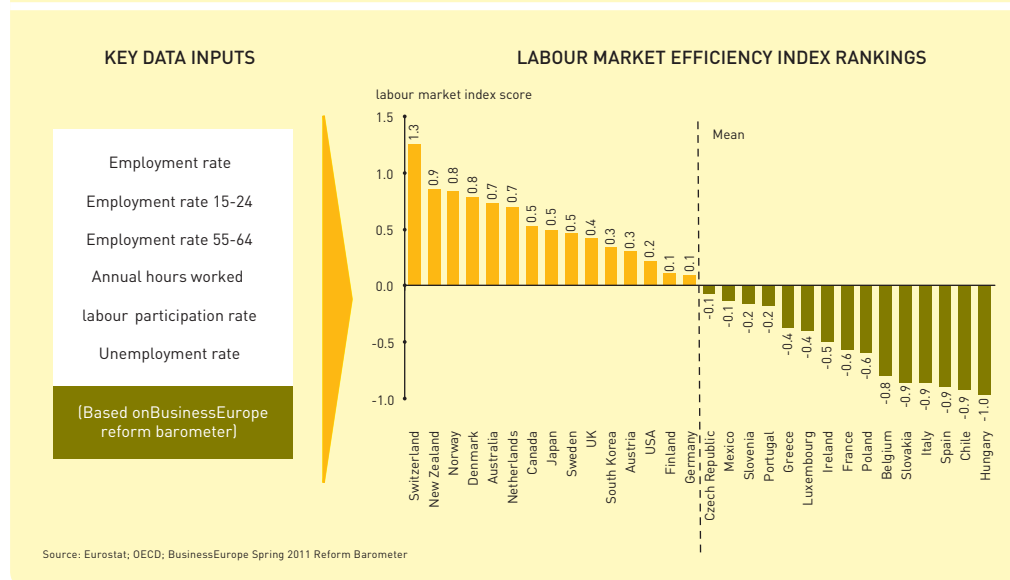
LABOUR MARKET EFFICIENCY IS RELATED TO THE LEVEL OF DEVELOPMENT OF PRIVATE EMPLOYMENT SERVICES

To assess overall efficiency of labour markets, the Boston Consulting Group and Ciett jointly developed the "Labour Market Efficiency Index". The index rankings are based on 6 criteria calculated for each country: overall employment rate (% working age population 15-64), employment rate 15-24, (% population 15-24), Employment rate 55-64 (% population 55-64), annual hours worked (per person employed), labour participation rate (% of working age population) and unemployment rate (% of labour force).

As the data plotted by the Labour Market Efficiency Index demonstrates, the countries showing higher scores of labour market efficiency are the ones where the private employment services industry has been able to operate for many years (with the notable exception of France). By contrast, countries in which the sector has been opened only recently (e.g. Eastern Europe) or is still not appropriately regulated (e.g. Mexico, Luxembourg, Spain, Portugal) score at lower levels.

Figure 65

Labour market efficiency of key countries



As a next analytical step, when the country clusters are mapped against the Labour Market Efficiency Index, it becomes apparent that labour markets perform differently based on the characteristics of the environment (Figure 66 & 67).

The market driven and social dialogue based clusters consistently perform better and display greater efficiency than those operating within a legislator driven environment (in part due to outdated limitations on services and entry-barriers to entry that the system places on private employment services as well as the lower capability of social partners to define the appropriate level of regulation).

Countries in the Legislator driven cluster usually place a low value on flexibility and are not able to deliver high levels of efficiency despite above average private employment services penetration. Indeed, restrictive labour markets with centralised policymaking are more likely to place a stigma around temporary work and publics will have a generally low understanding of its advantages and added value. These markets may also typically have high unemployment among young and disadvantaged groups and relatively high levels of undeclared work. The lack of full

Figure 66

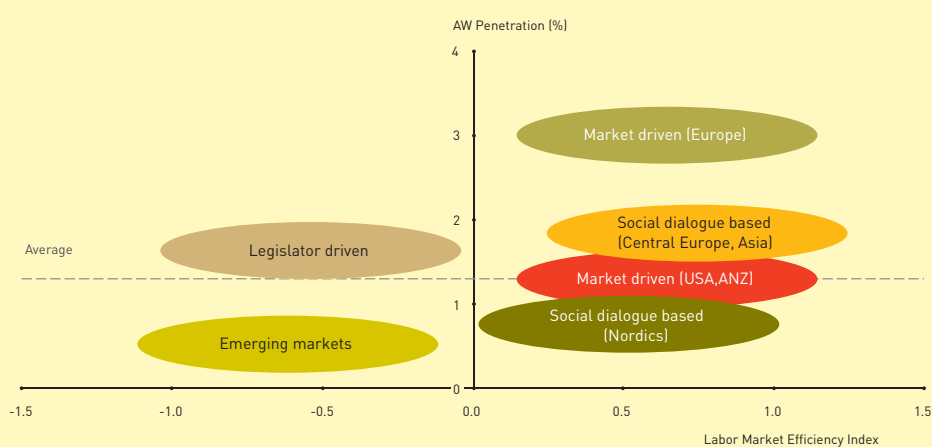
Labour market performance is related to country clusters



Figure 67

The different clusters can be distinctively mapped

Different combinations of agency work penetration and Labour Market Efficiency Index



acceptance of private employment services hinders the use of their range of services to bring people into the workplace and maximise labour market participation and leads to the assumption that segmentation and even two-tier systems are likely to emerge.

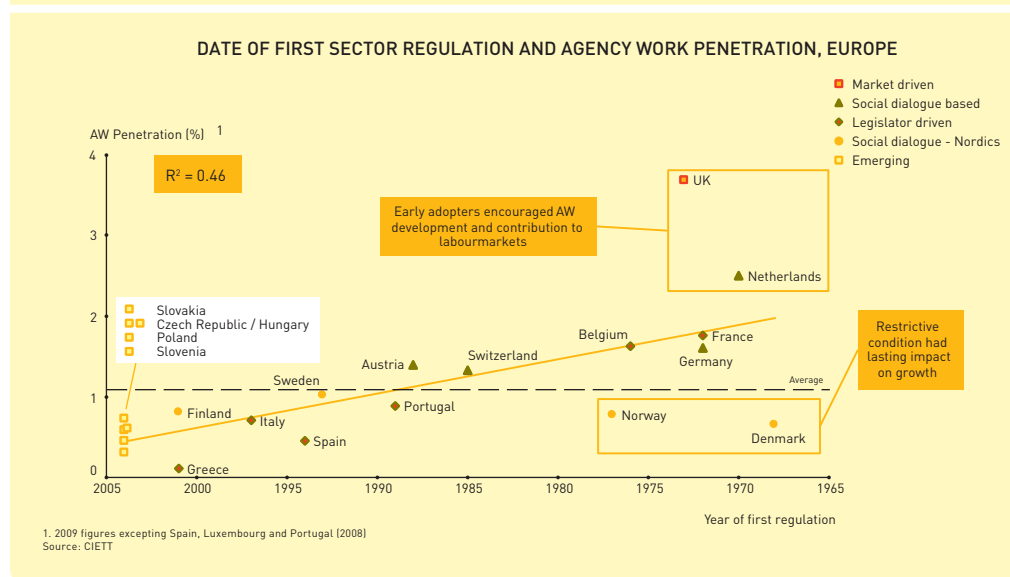
Emerging markets also demonstrate higher levels of inefficiency as their legal frameworks and social systems are still in development and do not enable the private employment services to play a role. These markets, which historically have had low worker protection and a high level of precariousness and informal work, have the opportunity to develop the private employment services sector alongside their social and political systems in order to foster inclusive labour markets and facilitate adaptation to change. As these markets often also have a low skills base, they could additionally benefit from the ongoing training and upskilling offered by private employment services.

AGENCY WORK HAS DEVELOPED DIFFERENTLY IN EACH MARKET CLUSTER

A better understanding of how these market clusters emerged can be obtained by exploring how agency work has developed in each of the clusters (Figure 68). Much of the development is dependent on the specificities of the country cluster and the social economic system that the market operates in.

Figure 68

Level of industry development different within country clusters



In the market driven UK, private employment services have been allowed to flourish and provide a wide range of services. In the Netherlands, private employment services have blossomed due to their historical presence, a wish to fight undeclared work and social value being placed on flexible forms of employment. In the Nordics, private employment services grew slowly but were present and largely self-regulated or part of other collective bargaining arrangements.

The legislation cluster reveals two very different groups with the western European countries recognising private employment services relatively early and seeing steady development while the Mediterranean markets were late to recognise services compared with the rest of Europe, the industry still having limited reach.

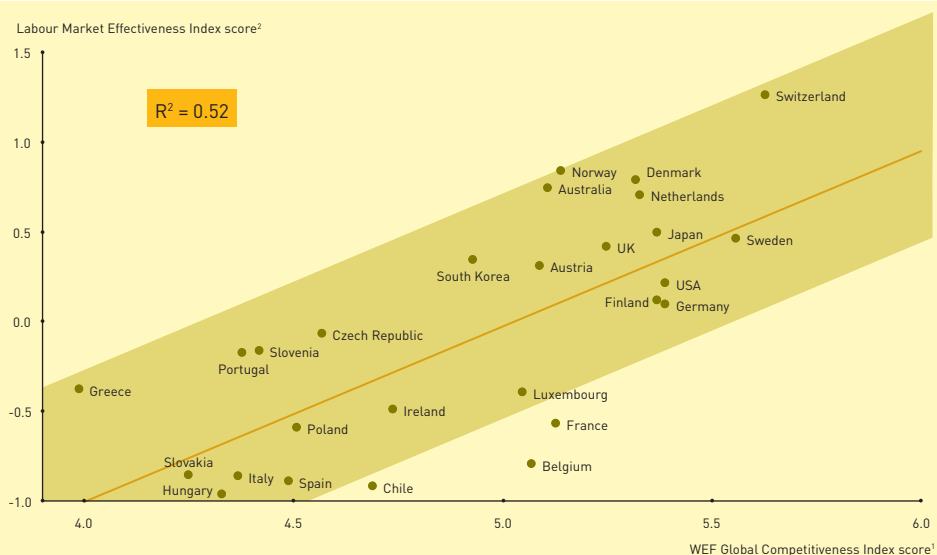
The evidence shows that those markets which were early adopters of private employment services have achieved higher levels of penetration. However, time is not the only relevant factor underlining the penetration rate of the industry in a country with the impact of the efficiency and the enforcement of the regulation also needing to be considered.

LABOUR MARKET EFFECTIVENESS GREATLY INFLUENCES COMPETITIVENESS

The cluster groupings show up other metrics that unlock the rationale regarding the optimal level of regulation of private employment services to achieve labour market efficiency. When the Labour Market Efficiency Index is mapped against the 2011 World Economic Forum Competitiveness Index (see Figure 69), it is evident that some countries in the market driven Cluster perform

Figure 69

Labour market effectiveness highly influences competitiveness



1. 2010-2011 score 2. BCG analysis based on a number of key labour market metrics; for detailed methodology see appendix
Source: Eurostat; OECD; CIETT data; WEF Global Competitiveness Report 2010-2011



well, but not all, while the social dialogue countries perform well as do some of the legislator driven markets – notably France, Austria and Belgium. This underlines the importance of market relevant regulation that will deliver a transparent and well-functioning labour market and allow private employment services to play their role in creating jobs and increasingly labour market participation while supporting governments and companies through the economic cycle.

THERE IS NO ‘ONE SIZE FITS ALL’ MODEL

The Boston Consulting Group/Ciett research does not reveal or defend one, preferred or recommended model. The clusters are closely related to culture, institutional organisation and the way in which the society is managed. The effectiveness of approaches will depend on the society to which they are applied.

However the clusters show that there are elements and characteristics which can help to optimise effectiveness and efficiency of labour markets. Where feasible, within clusters, there is the opportunity for countries to learn from the best-practice examples of others and to pick and choose elements from other clusters if they could be made to fit in order to optimise the efficiency of their labour market.

CHAPTER SUMMARY

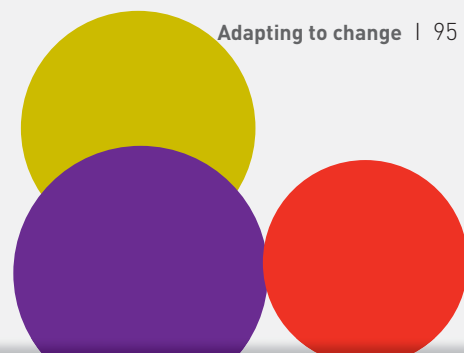
Regulation of private employment services should balance flexibility with security. Private employment services only contribute to better functioning labour markets when appropriately regulated. The report shows that labour market efficiency is related to country clusters based on political and social systems, the impact of regulatory regimes, socio-economic and historic social dynamics. Finally, there is strong evidence to show that labour market effectiveness greatly influences the competitiveness of a country.



Conclusions and Recommendations

Moving Forward





As structural changes in the economy become more marked, the need to encourage transparent and adaptable labour markets will become increasingly acute. Unpredictability, volatility and complexity are the key features of today's labour markets.

Tackling skills mismatches, demographic evolution as well as sectoral and geographical shifts will require effective labour market intermediaries that can enable adaptation to change and operate on a world-scale to close the employment gap and meet supply with demand.

Private employment services are already helping economies to manage sectoral shifts and deal with shorter economic cycles. Their ability to move swiftly and introduce new and innovative solutions to labour market challenges makes them a valued partner for governments, businesses and employees. For governments, they epitomise the concept of flexibility alongside security and their increased cooperation with public employment services is testament to the sector's determination to bring solutions to the table and drive better functioning labour markets.

For organisations seeking to operate in the new reality and to seize opportunities as they appear, the sector provides a host of added-value services and acts as a partner in finding tailor-made solutions to their staffing needs. Private employment services offer strong market knowledge combined with an on-the-ground presence that can help companies adapt to new market environments, navigating new markets and entering new countries as they embrace an increasingly global economy.

From the worker's perspective, private employment agencies are there to guide and manage their career. They smooth their transitions in the workplace and ensure that they have the training they need to meet new job opportunities as they arise. With private employment services, workers have someone to guide their career and ensure that they have access to a large range of work opportunities and job options, leaving them free to concentrate on doing a good job and gaining new skills and experience.

The opportunity and need for private employment services to play a role in facilitating the adaptation to the new reality of labour markets is clear. The challenge is how.

The Boston Consulting Group/Ciett research clearly concludes that there is no one, best practice approach. The private employment industry needs to be viewed in the context of the market in which it operates in and the socio-economic and societal characteristics that define that market.

However, the research does show that **when regulated in a way that enables it to play its role as labour market intermediary, change enabler, social innovator, creator of jobs and facilitator of transitions, the private employment industry is able to drive inclusive labour markets and provide tailor made solutions to the new employment challenges.**

No single, regulatory framework emerges as optimal for enabling efficient labour markets, but within the clusters there are a number of behaviours that can be observed as consistently effective. The key to unlocking a well performing private employment sector that can support adapta-

tion to change in a volatile economy is to create balanced regulation. This balanced regulation on private employment services should de facto encompass the 4 fundamental pillars of flexicurity as defined by the European institutions:

- flexible and reliable contractual arrangements;
- comprehensive lifelong learning strategies to ensure the continual adaptability and employability of workers;
- effective active labour market policies that help people cope with rapid change;
- modern social security systems that provide adequate income support.

In addition to these 4 pillars, social dialogue has been identified as playing a key role in implementing flexicurity policies.

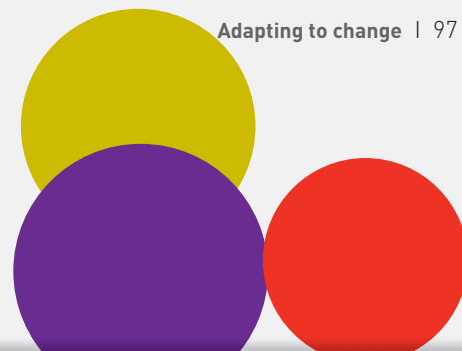
Economies benefit from diversification and a mobile workforce and all players need to be able to act swiftly and to have the ability to build new bases of competitive advantage if we are to sustain economic growth in the decades ahead. Hence policymakers, be they governmental or societal, need to regulate private employment services in an appropriate way in order to drive labour market efficiency.

The report makes a number of recommendations for policymakers so that they leverage the potential of the private employment sector may be leveraged. It underlines that the industry is uniquely placed to support governments, companies and workers to cope with accelerating dynamics in labour markets and manage structural change. In return it suggests that the industry should push for policymaker action in three key areas if it is to maximise its contribution to better functioning labour markets and play an active role in meeting the new economic reality.

1. Policymakers should ensure that the regulatory framework that is in place for the private employment services sector is adequate.

- a. In countries where no specific regulation of the industry exists, a legal framework should be adopted; this could be achieved by using the ILO Convention n°181 on private employment agencies as a framework. Social partners should be closely involved in the definition of such a regulatory framework
- b. In countries where regulation already exists, policymakers should review the conditions and restrictions that apply to the use of private employment services on a regular basis, to ensure that they are not outdated or no longer justified based on the new reality of labour markets.

2. Policymakers should recognise that the private employment services industry is a sector on its own. As such, it should benefit from the freedom to enter into collective bargaining and be able to negotiate with trade unions on the level of regulation and working conditions of agency workers.



3. **Appropriately regulated private employment services should be involved in the designing and implementation of active labour market policies.** Their contribution to facilitate transitions in the labour market, to increase labour market participation by creating jobs and reducing undeclared work and to deliver decent work should be included in public employment policies.

Private employment services enable labour markets to adapt to change. In order to further enhance its contribution to decent work and better functioning labour markets, the sector also pledges to deliver a number of key actions.

1. **The sector commits to work alongside all relevant stakeholders including social partners in order to optimise regulation on private employment services.** It will put emphasis on gaining further ratification of the ILO Convention 181 on private employment agencies and/or ensuring that the key provisions of the convention are being transposed in as many countries as possible around the world.
2. **The sector commits to ongoing action to improve the governance and quality standards of the industry around the world.** It will push and support the establishment of national federations of private employment services in countries where none yet exist. It will enhance quality norms and codes of conduct and promote the adoption of complaints and remedies procedures to handle cases of malpractice.
3. **The industry commits to becoming an active career agent for workers.** It will represent more widely the challenges and opportunities of today's workplace and the initiatives needed, including up skilling, social innovation, career guidance and effective transitions in order to ensure decent work for all. In order to achieve this, the private employment sector pledges to make further investments in more and better training of its own staff and agency workers.
4. **The sector will undertake greater communication efforts to explain the role that the industry plays in contributing to efficient labour markets and to fight against the unethical and illegal side of the industry.** In addition to conducting further research and investigations in conjunction with trade unions, the sector pledges to work with them to fight abuses and illegal practices arising from untrustworthy, unethical and rogue private employment agencies as both parties have a common interest in doing so. These unscrupulous agencies damage the image of the well-organised and responsible agencies, represent unfair competition and lead to the unacceptable abuse of workers.
5. **The sector commits to expanding its role as a labour market intermediary** partnering with all relevant stakeholders to deliver inclusive, well functioning, sustainable labour markets with high levels of participation and a coordinated approach to matching supply with demand.

Annex

KEY FACTS AND FIGURES ABOUT THE PRIVATE EMPLOYMENT SERVICES INDUSTRY

The global private employment services industry employs over 25 million workers annually – equivalent to a daily average of 9.5 million workers on a full time basis. It comprises 72,000 companies around the world with 169,000 branch outlets. The majority of private employment agencies are small and medium size companies, with only a limited amount of large, international groups which operate worldwide.

Private employment companies operate in an increasingly wide sphere of Human Resource areas including agency work, permanent recruitment, interim management, executive search, outplacement and training. 819,000 people are employed within the industry.

The industry experienced strong growth during the first eight years of the millennium, recording annual revenue of some €230 billion at its peak in 2008. Like most sectors the industry was hit by the downturn, but has returned to positive growth as per mid 2010.

Europe is the leading region for the sector, accounting for 40% of total worldwide sales revenues, while Japan and USA are the global leaders by total annual sales revenues, representing 24% and 22% respectively. The UK is the third largest at 12%.

The level of agency work penetration within labour markets varies from 1.7% in Japan to 1.4% in Europe and 1.3% in the USA. Within Europe the UK is the most developed market with a work-force penetration rate of 4.8%. The top 5 countries in terms of number of agency workers are the USA, the UK, South Africa, Japan and Germany. Agency work penetration is highest in well functioning labour markets such as the UK and the Netherlands and lowest in those markets with highly inflexible employment regulations such as Greece, Spain and Romania.

Figure 70

Level of agency work penetration rate (2009)

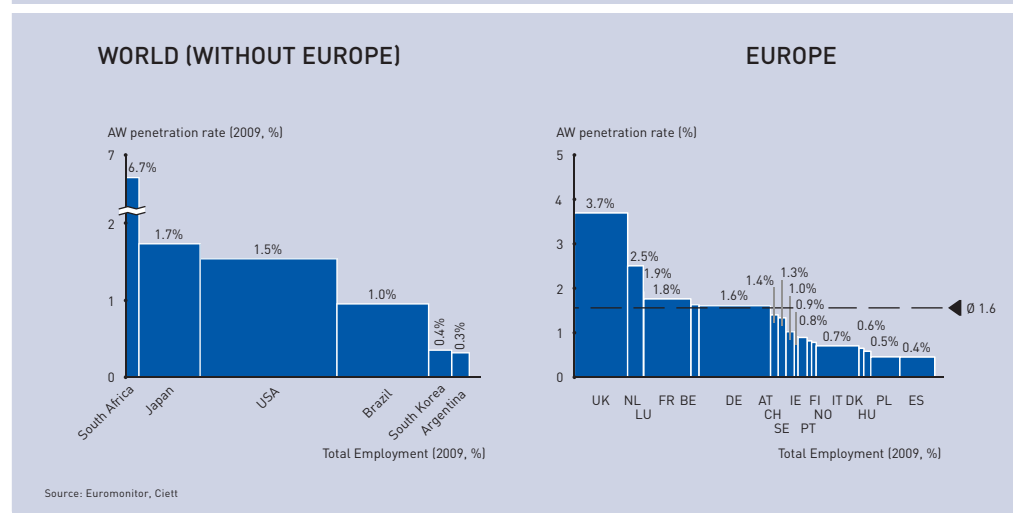
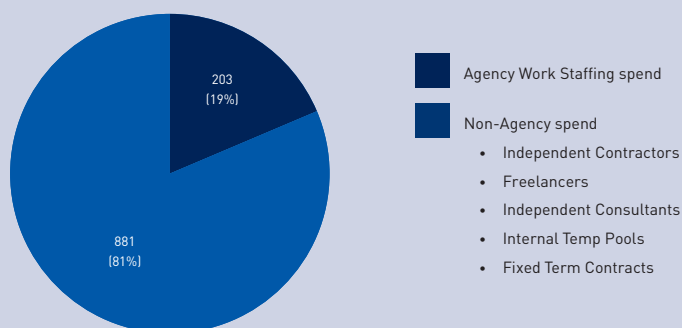


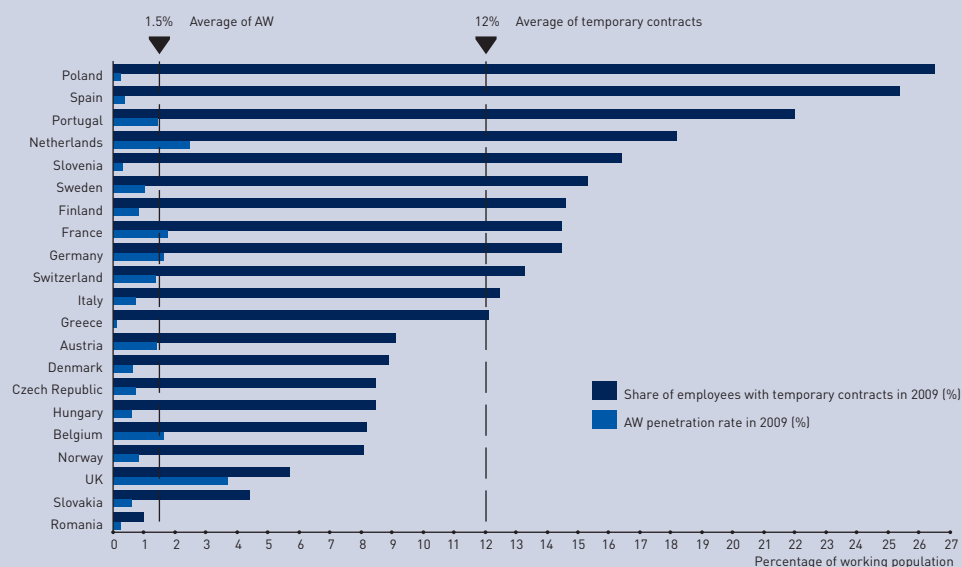
Figure 71

Estimated €1.1T in contingent workforce spending globally**GLOBAL CONTINGENT WORKFORCE SPENDING (BN €, 2010)**

Agency work still a limited share of overall global contingent workforce spend

Source: Staffing Industry Analysts Contingent Workforce Estimate – December 2010

Figure 72

Agency work penetration limited compared to all temporary contracts

Note: Employees with temporary contracts are those who declare themselves as having a fixed term employment contract or a job which will terminate if certain objective criteria are met, such as completion of an assignment or return of the employee who was temporarily replaced.
 Source: Clett, Eurostat, BCG analysis



81% of companies globally use agency work at some point in order to manage economic fluctuations. However, agency work represents only a limited share of the global contingent workforce spend. In 2010 some 1.1 trillion Euros was spent on contingent workers globally²⁵. Agency work comprised just 19% of this, representing 203 billion Euros. The remainder and lion's share of the budget spent by employers around the world went on independent contractors, freelancers, independent consultants, internal temp pools and fixed-term contracts.

THE 'TRIANGULAR' RELATIONSHIP

Agency work is organised in a triangular relationship between the worker, the user company and the agency. The agency employs the worker, ensures that he/she has the training and skills sets required by the job market, and then makes him/her available to the user company to undertake the work it requires. The agency acts as an intermediary matching demand with supply in the labour market. It makes transitions pay by offering training and providing a stepping stone function into the workplace thereby increasing labour market participation and diversity.

A SECTOR REACHING MATURITY

Over the past decades agency work has gained social and legal recognition and today the sector in many countries is considered to have reached a certain maturity. It is more and more recognised by society as an acceptable work alternative and useful labour market intermediary, and the sector dialogues with governments, unions and social partners to define regulation and promote efficient labour market structures.

This was not always the case and the process of acceptance and recognition has been a long one. Private employment services were banned until 1994 when the International Labour Organisation (ILO) acknowledged that the labour market was changing and that a growing need for flexibility and new forms of employment was emerging.

The ILO Convention 181, recognising private employment services was passed in 1997 and has now been ratified by 23 countries. It was followed by the EU Directive on Agency Work which was finally adopted in 2008 with the deadline for transposition into national law set for December of 2011.

FUTURE OUTLOOK FOR THE SECTOR

By the end of 2011 analysts predict the sector will be back to its pre-crisis levels: In Europe, revenue development of 11%²⁶ is expected and global forecasts foresee more than 9.2 million full time equivalent agency workers. Significant bounce backs have already been observed in markets including Argentina and the USA with growth of 9% and 12%²⁷ respectively and in Europe nearly all markets are showing clear signs of recovery with increasing market penetration rates. South Korea, as a fast growing economy, has been notable for consistent growth in the agency work market, even during the global crisis.

²⁵ Staffing Industry Analysts

²⁶ Staffing Industry Analysts, April 2011

²⁷ Staffing Industry Analysts, April 2011

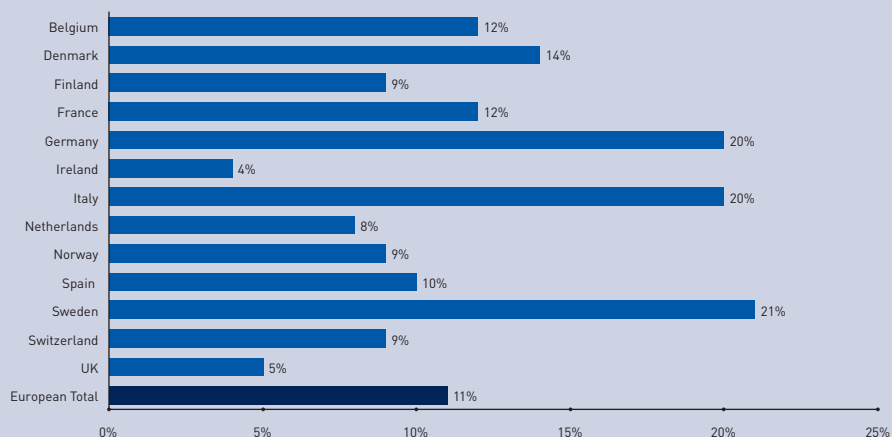
The sector is recovering in both absolute numbers and in market penetration. These recovery indicators are a testament to the crucial role that the industry plays in supporting business through seasonal and cyclical variations. The private employment services industry will have made up for the losses it experienced during the global financial crisis in a period of just two years, while other industry sectors are seeing a much more measured recovery, with many undergoing fundamental structural changes to their business model.

Figure 73

European staffing forecast

2011 European forecast market growth by country

2011 European forecast market growth by country



Source: Staffing Industry Analysts European Staffing Market Forecast May 2011

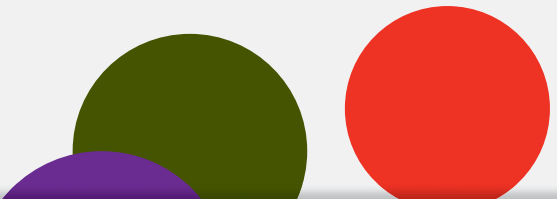


Glossary



Abbreviation	Full name	Definition
AW	Agency Work	This describes the full range of work solutions offered by private employment services. Included in this definition are temporary agency work, permanent recruitment, interim management, outplacement, and outsourcing.
Assignment	Assignment	Period of time that a temporary employee is working at an organisation's facility. An assignment can be made of several temporary contracts being renewed.
CLA	Collective Labour Agreement	An agreement between a trade union and an employer on behalf of a specified group of workers, usually relating to their pay and other working conditions.
CW	Contingent work/worker	Used to describe work arrangements that differ from regular/permanent, direct wage and salary employment. Contingent workers most often include temporary employees provided by an outside staffing agency and independent contractors/consultants. Contingent workers may also include temporary workers from an internal pool, and others (such as summer interns) employed directly by an organisation for an intentionally limited time period. They do not include work done by consulting firms or by part-time regular employees, and are primarily distinguished by an explicitly defined tenure. Self-employed individuals should only be defined as contingent workers if they provide themselves as contract labour to other organisations. Otherwise, they should not be considered in the contingent workforce. Outsourcing also falls outside of the contingent work definition, because it defines a vendor-supplier relationship, not an employer-worker relationship. The "contingent worker" label applies to all workers of any skill type or experience level who meet this definition, including those in professional, blue-collar, or office/clerical roles.

Fixed Term Contract	Fixed Term Contract	A contract of employment or relationship entered into directly between an employer and a worker, where the end of the employment contract or relationship is determined by objective conditions such as reaching a specific date, completing a specific task, or the occurrence of a specific event.
FTE	Full-Time Equivalent	Used to describe the total daily average number of agency workers. The total number of hours worked by all agency workers in a country over a period of one year is divided by the average number of hours worked over a period of one year by a worker with a full-time job with an open-ended contract.
Illegal work	Illegal work	This refers to employment situations where workers get all or part of their wages paid cash in hand; and tax and social security contributions are not paid on the wages when they should have been; and workers were aware that being paid in this way is to avoid paying tax and/or social security contributions. Contracts will also be illegal if it is for an immoral or illegal act. A contract of employment will not be illegal if only one of the parties is not declaring the payments and/or making appropriate deductions (see undeclared work).
Independent Contractor	Independent Contractor	Self-employed individual performing services for a company under contract rather than as an employee, either on- or off-site, also referred to as freelancers, consultants. Unlike an employee, an independent contractor is free to perform their work as he or she sees fit. To determine the status of independent consultants, the US Internal Revenue Service uses a three-factor test consisting of examinations of behavioural control (does the client direct or control the manner in which work is performed), financial control (of the timing and method of payment), and relationship of the parties (is the worker free to pursue other clients or in a binding relationship with the company).



MSP	Managed Service Provider/ Programme	A form of outsourcing whereby a company chooses to contract with a third party to provide the management of its contingent worker programme and its suppliers of contingent (temporary) labour.
On-Call work	On-Call Work	The implementation of on-call schedules varies. For many occupations, workers leave their place of employment and are placed "on-call" on evenings and weekends, which means they can be called back to work during these periods. Generally, but not always, employees are compensated monetarily for the period of call, usually with a stipend which is less than their hourly rate. When on-call employees are usually expected to restrict their use of alcohol and limit distance or travel time from the work-site. The on-call experience of these workers includes aspects of interruption, either of sleep or family or social life, and often includes an element of uncertainty as to the time of call or the occurrence of the call.
Outplacement	Outplacement	A service to guide a terminated employee of a company to a satisfactory new position or career through the provision of short- or long-term counselling and support services, on a group or individual basis, most often paid for by the terminating employer.
Outsourcing	Outsourcing	Use of an outside business services vendor (and its supervised personnel), either on the customer's premises or off-site at the vendor's location, to perform a function or run a department that was previously staffed and supervised by the customer directly. (Sometimes, but not necessarily, limited to situations where some or the entire customer's previous staff performing that function are hired by the outsourcing vendor.)
Permanent Placement	Permanent Placement or recruitment	The bringing together of a job seeker and a prospective employer for the purpose of effecting a traditional employment relationship, for a fee (to be charged to the employer). Also refers to the process of arranging such a relationship.

PES	Public Employment Services	Public employment services are usually part of ministries of labour or, less often, operate as separate executive agencies. They plan and execute many of the active, and sometimes passive, labour market policies used to help workers enter the labour market, to facilitate labour market adjustments, and to cushion the impact of economic transitions. To do this, public employment services typically provide labour market information; offer job-search assistance and placement services; administer unemployment insurance benefits; and manage various labour market programmes (worker displacement assistance, retraining, public service employment, etc.).
PrEA	Private Employment Agency	Means any natural or legal person, independent of the public authorities, which provides one or more of the following labour market services: (a) services for matching offers of and applications for employment, without the private employment agency becoming a party to the employment relationships which may arise there from; (b) services consisting of employing workers with a view to making them available to a third party, who may be a natural or legal person (referred to below as a “user enterprise”) which assigns their tasks and supervises the execution of these tasks; (c) other services relating to jobseeking, determined by the competent authority after consulting the most representative employers and workers organisations, such as the provision of information, that do not set out to match specific offers of and applications for employment.
PrES	Private Employment Services	Services offered by private employment agencies, ranging from temporary agency work to outsourcing, payrolling, staff planning etc.



Self Employed	Self Employed	Those who work in their own business, professional practice or farm for the purpose of earning a profit, and who employ no other persons. A self-employed person may also be defined as an independent worker, in contrast with an employee, who is subordinate to and dependent on an employer.
TAW	Temporary Agency Work	An employment relationship where the worker is employed by the temporary work agency, and then hired out to perform his/her work at (and under the supervision of) the user company. There is no employment relationship between the temporary agency worker and the user company, although there could be legal obligations of the user company towards the temporary agency worker, especially with respect to health and safety. A labour contract may be of limited or unspecified duration with no guarantee of continuation. The employment is often called "temporary work", "temping" or "agency work".

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