

Key issues and conclusions

Our findings show that it is too simplistic to argue that workplaces in a particular type of capitalism are more or less likely to use temporary agency workers than establishments in a different type of capitalism. Within countries that have similar business environments, there is a great deal of variation in the use of temporary agency workers by establishments. Workplaces in countries, such as Germany, that offer good protection to firm investors and that have 'rigid' labour markets are neither more nor less likely to use temporary agency workers than establishments in countries, such as the UK, that have strong legal systems to protect investors and that have liberalized labour markets.

However, when we take into consideration establishment characteristics, we find that the wider business environment does matter. Here we do find a contrast between establishments in different types of capitalism. Public-sector workplaces that are in an environment that is similar to the UK are more likely to use temporary agency workers than their private-sector counterparts. The opposite is true for workplaces in countries whose business environments resemble that of Germany. Similarly, the presence of collective wage bargaining and employee representation affects the use of temporary agency workers differently depending on the workplaces business environment.

Recommendations

Policies to reduce the levels of temporary agency work need to take into consideration the characteristics of national business environments if they are to be effective. A uniform policy implemented at the European Union level will lead to divergent and possibly unwelcome outcomes in different countries.

Policy makers in individual countries that have different regulations concerning the use of temporary agency workers in the public and private sectors could examine and reform those policies that promote the use of temporary agency workers .

The presence of both employee representatives and a collective wage bargain is strongly associated with an increased use of temporary agency workers in the 'compartmentalized' type of capitalism, of which the UK is an example. This suggests that how managers respond to employee representation and collective wage bargaining depends on their broader business environment: managers in business environments that, in general, promote organizational flexibility would appear to view these two institutions negatively, but that is not the case for employers in environments that facilitate greater employer-employee co-operation. Employee representatives from the former countries could learn from the latter.



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Further materials, links and references

Allen, M.M.C., Liu, J., Allen, M.L. & Saqib, S.I. (2016), 'Establishments' use of temporary agency workers: the influence of institutions and establishments' employment strategies', *The International Journal of Human Resource Management*, DOI: 10.1080/09585192.2016.1172655, available at: <http://www.tandfonline.com/eprint/RhjVr2J4tphEtFbc6ksM/full>

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The use of temporary agency workers by workplaces across Europe and Turkey

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Summary

Companies are increasingly using temporary agency workers, raising concerns about inequality and agency workers' impact on permanent positions. We examine how national business environments affect firms' use of temporary agency workers across Europe and Turkey. Aspects of the business environment do not have a uniform effect on companies across all countries. For instance, centralized wage bargaining and workplace employee representation can, depending on the country, either hinder or promote the use of temporary agency workers. Similarly, public-sector workplaces in some countries are more likely to use temporary agency workers than their private-sector counterparts. In other countries, the opposite is true. Efforts to limit the use of temporary agency workers in different European countries need, therefore, to be tailored to the business environments of specific countries. If they are not, elements of the countries' business environments may interact with the policies, leading to unintended consequences.



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Introduction and background

Unions, employee representatives and some policy makers wish to reduce companies' use of temporary workers, as such workers can increase inequality and put downward pressure on the pay and conditions of permanent employees. Existing research has tended to examine the use of temporary agency workers in individual countries. This has deepened our understanding of the conditions that lead companies to

use temporary workers. However, it does not enable us to say if companies in other business environments, when faced with the same challenges, will respond in the same way. We adopt a comparative approach to analyse how these workers are used in different European countries plus Turkey in order to examine how the same pressures may lead to varying outcomes in different business environments.



The research

We draw on data from the World Economic Forum and the European Company Survey to classify countries into clusters, group workplaces according to their use of human resource management policies, and to examine how the business environment of establishments and key workplace characteristics interact to influence workplaces' use of temporary workers in 29 European countries plus Turkey. We stress here that we focus on workplaces rather than companies as different establishments within the same company may have contrasting characteristics and operate within varying business environments.

We find four distinctive clusters of countries or types of capitalism, which are set out in Figure 1. The first, which includes

mainly Mediterranean countries, has a comparatively weak legal system that creates uncertainty for those wishing to invest in firms, and labour markets that are relatively 'rigid'. We label the second type of capitalism that we identify as 'collaborative' and includes Germany, France, and Ireland. It is marked by the strong rule of law and comparatively 'rigid' labour markets. The third type of capitalism, 'compartmentalized', covers countries with liberalized labour markets and offers strong legal protection to firm investors; it includes the Denmark, Turkey, and the UK. The final cluster of countries offers relatively limited protection to investors and has 'flexible' labour markets. It covers many countries in Central and South Eastern Europe.

Figure 1. Type of Capitalism and Country

Labour Markets	Comparatively Weak Rule of Law	Comparatively Strong Rule of Law
'Rigid'	'Fragmented' with 'Rigid' Labour Markets Greece Italy Malta Portugal Slovenia Spain	'Collaborative' Austria Belgium France Germany Ireland Netherlands Sweden
'Flexible'	'Fragmented' with 'Flexible' Labour Markets Bulgaria Croatia Czech Republic FYR Macedonia Hungary Latvia Lithuania Poland Romania Slovakia	'Compartmentalized' Cyprus Denmark Estonia Finland Luxembourg Turk UK

In the second stage of the analysis, we group together workplaces according to their use of temporary agency workers, their size, their systematic use of training, their sector (public or private), and the presence of both a collective wage bargain that covers firms in a sector and an employee representative within the establishment. We identify four distinctive groups of establishments that vary along these factors, including their use of temporary agency workers. Table 1 provides details of the prevalence of those groups in the different countries that we examine. Establishments in the first

group use temporary agency workers. In second group, some workplaces use these workers and some do not. Establishments in the third and fourth group do not use temporary agency workers. The data reveal large variations across countries in establishments' use of temporary agency workers. The use of these workers is widespread in Germany, France, the Netherlands, and the UK. By contrast, only a small percentage of workplaces in Estonia, Greece, Latvia, Poland and Turkey use temporary agency workers.

Table 2. Type of Capitalism and Country and the Presence of Different Groups of Establishment

Type of Capitalism and Country	Group Temporary Workers? (Yes, No, Mix) In per cent				Absolute number of establishments in sample
	1 Y	2 Mix	3 N	4 N	
'Compartmentalized'					
Turkey	3	21	19	56	216
Cyprus	12	19	16	53	217
Estonia	3	19	10	68	62
Luxembourg	22	33	25	20	265
UK	51	11	5	34	522
Denmark	43	25	17	16	771
Finland	30	25	27	19	954
'Collaborative'					
France	49	14	17	19	1031
Belgium	49	24	11	16	744
Germany	29	25	24	22	1212
Austria	28	30	13	29	765
Ireland	24	14	19	43	377
Netherlands	42	16	21	21	777
Sweden	34	16	23	27	902
'Fragmented' with 'Rigid' Labour Markets					
Italy	27	29	15	29	1400
Greece	8	33	4	55	829
Slovenia	18	18	23	41	485
Spain	29	13	25	33	1367
Malta	13	22	11	54	83
Portugal	20	23	5	53	573
'Fragmented' with 'Flexible' Labour Markets					
FYR Macedonia	5	41	3	51	395
Bulgaria	20	14	16	50	125
Latvia	8	16	16	60	156
Hungary	14	19	11	56	260
Romania	5	33	8	53	343
Croatia	3	36	29	32	287
Slovakia	10	18	13	59	213
Czech R.	21	9	4	66	384
Poland	5	17	18	60	598
Lithuania	9	23	3	66	93

In the third stage of the analysis, we assess the links between the establishment's business environment and the characteristics of the workplace, on the one hand, and the use of temporary agency workers, on the other. We find no link between the type of capitalism that the workplace is in and its use of these workers. In other words, workplaces in the 'compartmentalized' type of capitalism are no more or no less likely to use temporary agency workers than establishments in the three other types of capitalism. We do, however, find that private-sector workplaces in the 'compartmentalized' variety of capitalism are more likely to use temporary agency workers than their

public-sector counterparts. By contrast, in the 'collaborative' and 'fragmented' with 'rigid' labour markets types of capitalism, public-sector workplaces are less likely to use temporary agency workers than their private-sector counterparts. We also find that, in the 'compartmentalized' type of capitalism, which has flexible labour markets, and in the fragmented type of capitalism with 'rigid' labour markets, the presence of both employee representatives and a collective wage bargain is strongly associated with an increased use of temporary agency workers. By contrast, these two factors are not linked with either higher or lower levels of temporary agency worker use in the 'collaborative' type of capitalism.