Further materials, links and references


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. This suggests that how managers respond to employee representatives and collective wage bargaining affects the use of temporary agency workers differently depending on the workplace’s business environment.

Key issues and conclusions
Our findings show that it is too simplistic to argue that workplace characteristics are unimportant factors in the use of temporary agency workers compared to establishments’ different types of business environments. Within a country that have similar business environments, there is a great deal of variation in the use of temporary agency workers by establishments. Workplace characteristics, such as Germany, that offer good protection to firms investors and that have ‘rigid’ labour markets are more or less unlikely to use temporary agency workers than establishments in countries, such as the UK, that have strong legal systems to protect investors and that have flexible labour markets.

However, when we take into consideration establishment-level characteristics, we find that the workplace business environment does matter. Here we find a contrast between establishments in different types of countries. Public-sector workplaces that are in an environment that is similar to the UK are less 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 would lead to divergent and possibly unwanted outcomes in different countries. The role of employers is critical. Policy makers in individual countries that have different regulations concerning the use of temporary agency workers in the public and private sectors could assess and reform those policies that promote the use of temporary agency workers.

The presence of both employee representation 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 workplace employees and collective wage bargaining can depend on broader business environment management in business environments that, in general, promote organizational flexibility would appear to vary between these two institutional settings. What’s more, that’s not the case for employers in environments that facilitate greater employer control on organization practices, such as countries in the Netherlands and other countries, such as Germany, which are characterized by ‘rigid’ labour markets.

Further materials, links and references

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Introduction and background

Unions, employee representatives and some policy makers wish to encourage companies’ use of temporary workers, as such workers can increase inequality and put downward pressure on pay and conditions of permanent workers. Existing research has led to evidence on the use of temporary workers, but that evidence has tended to examine the use of temporary workers in different business environments. This has deepened our understanding of the situations that led companies to use temporary workers. However, it does not make us say if companies in other business environments, when faced with the same challenges, will respond in the same way. We adopt a comparison of 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 very different business environments.

The research

We draw data from the World Economic Forum and the European Company Survey to classify countries into clusters of group workplaces according to their use of temporary workers. We examine how the business environment of establishments and 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 very different business environments.

We build distinctive clusters of countries or types of capitalism, which we examine in Figure 1. The right-hand side provides a deeper analysis of the countries in each group in terms of the prevalence of temporary agencies and the nature of the collective wage bargain that covers them. The research question is: how does the use of temporary agency workers vary across countries?

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

Table 1 provides details of the prevalence of establishments’ use of temporary agency workers. Table 2 reveals large variations across countries when we examine establishments’ use of temporary workers in 29 countries across Europe and Turkey. In the second stage of the analysis, we group workplaces according to their use of temporary agency workers, their size, their systematic use of flexicurity (queuing or gig workers), and the presence of both collective wage bargaining and cooperation with employee representatives within the establishment. We identify five distinctive groups of establishments that are very different in those factors, including their use of temporary agency workers. This provides details of the prevalence of the five groups in the different countries, which we examine. Establishments in the first group use temporary agency workers. In second group, some workplaces use temporary workers and some do not. Establishments in the third and fourth group do not use temporary agency workers. The use of temporary workers and cooperatives in the ‘collaborative’ type of capitalism is strongly and collaterally ‘rigid’ labour markets. In the ‘compartmentalized’ type of capitalism, which covers countries with liberalized labour markets and offer strong legal protection to firm investors, establishments do not use temporary agency workers. Establishments in the ‘rigid’ type of capitalism are mainly Mediterranean countries, have a relatively ‘rigid’ labour market, and ‘rigid’ wage bargaining. The research question is: how does the use of temporary agency workers vary across countries?

In the third stage of the analysis, we assess the link between the establishment characteristics and the use of temporary agency workers, the pay and condition of temporary workers, and the link between the type of capitalism that we identify, as ‘fragmented’, ‘rigid’, and ‘collaborative’. We find that private-sector establishments are less likely to use temporary agency workers than public-sector counterparts. We find that, in the ‘compartmentalized’ and ‘rigid’ labour market types of capitalism, which has rigid labour markets, and the same industry with temporary workers. The payment of both temporary workers and collective bargained and collective pay are more likely to use temporary agency workers. We notice, however, that private-sector workplaces in the ‘collaborative’ type of capitalism are more likely to use temporary agency workers than their public-sector counterparts. By contrast, in the ‘fragmented’ and ‘rigid’ labour market types of capitalism, which has liberalized labour markets, and the same industry with temporary workers, the payment of both temporary workers and collective bargained pay are more likely to use temporary agency workers.