Geographies of Temporary Staffing Unit

Working Paper 5

Constructing Markets for Temporary Labour: Employment Liberalisation and the Internationalisation of the staffing industry

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September 2004

Constructing markets for temporary labour: employment liberalisation and the internationalisation of the staffing industry

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Abstract Temporary staffing has joined the ranks of the globalising service industries. The largest agencies have now established a presence in over sixty nations, where they are placing employees in temporary positions across a range of occupations, from clerical, cleaning and light industrial work through to accountancy, law and IT. The opening up of new occupational and geographical markets around the world has been driven by the imperative to sustain growth in sales volumes, in this business of tight margins and fierce competition. The most lucrative of the staffing industry's 'emerging markets' are found in the actively-deregulating economies of the global North—including Spain, Germany, Italy and Japan. Exploring the way in which the staffing industry has been active in the construction of these markets, the paper argues that this fast-growing business has become an important agent of labour-market liberalisation.

The temporary staffing business, in which agencies place workers at client workplaces for a fee, is now a globalising industry. Stretching across more than sixty countries, the temporary staffing market is now worth over €157 billion per year, a far cry from its humble origins in the US Midwest in the 1920s. Although the staffing business has a long history in the US and the UK, it was a small and marginal sector in most countries until relatively recently; its activities were even prohibited in some nations, and were generally discouraged by international regulatory conventions. This changed along with concerted moves—beginning in the 1970s, gathering pace in the 1980s and dramatically accelerating in the 1990s—to liberalise labour-market regulation and to foster 'flexible' employment practices. In the wake of liberalisation, temporary staffing has registered exponential growth rates in many countries over recent decades. European and US multinational temp companies have capitalised on these emerging markets, and in the process, the temporary staffing industry has become an active player in the ongoing 'flexibilisation' of labour markets.

Although most staffing industry revenues are generated in the United States, rates of growth in this relatively mature market have slowed in recent years, where the overall 'penetration rate' of the labour market by temporary staffing services is just under 3 percent of the workforce, at 2.3 million workers. At the same time, several European multinationals have used acquisition strategies to secure a share of the high-volume US market, where pressures on billing rates and profit margins have intensified. The entry of European multinationals into the fiercely competitive US staffing market demonstrates two of the essential features of this industry. First, margins are typically very thin in the dominant segment of the temp market (commercial staffing, based on clerical and industrial placements), so corporate development depends upon sustaining growth in sales volumes. A key attraction of the North American market is its sheer size: the largest in the world, it accounts for 39 percent of global revenues (Staffing Industry Analysts 2002). Second, the US market is also the principal site for innovation in the staffing industry, particularly with respect to the concerted efforts to develop value-adding augmentations to the basic temporary-help business model and, relatedly, to move up the value chain and into technical and professional placements, where margins are higher. Although such 'high-end' placements account for less than a quarter of the market in the US, they are of enormous strategic importance for the large staffing companies that are concerned to build long-run profitability while reducing both cyclicality and margin pressure.

These intersecting business imperatives are driving the internationalisation of the temporary staffing industry. The big staffing companies are searching for increased sales volume and enhanced economies of scale—reflecting the stubborn reality that most of the business in this sector will continue to come from charging modest mark-ups on the placement of relatively low-wage workers. This is the mass-production face of the staffing industry: resembling a 'Fordist' pattern of international growth, it is based on standardised products, top-line growth and scale economies. The other face of the corporate staffing industry, however, is focused on transcending this circumscribed business model—exploiting the scope for cross-national business synergies, spreading risk between volatile markets and developing new techniques for penetrating high-margin niches under different regulatory environments (Ward 2004). The 'big six' multinational staffing companies—Adecco, Kelly Services, Manpower, Randstad, Spherion and Vedior—have all reduced their reliance on domestic markets by pursuing a mix of organic and acquisition-led growth overseas. For example, between 1995 and 2000, Randstad's reliance on domestic revenues fell from 65 to 42 percent, while at Vedior this figure was reduced from 63 to 42 percent. Meanwhile, Manpower's share of revenues generated in the United States dropped so much that by 2002 no less than 82 percent of revenues and fully 89 percent of operating unit profits were being generated from its overseas activities. Multinational staffing firms are seeking to grow by pushing both upward and outward—upward into the higher reaches of the labour market and outward into off-shore markets. As the investment community sees the situation:

> The best opportunities are clearly in global markets … It's Europe and, guess what, Japan is starting to open up for the first time. Then you can see down the line Latin America being the real market and potentially China being a market (Investment analyst #4, February 2001).
>
> The Holy Grail is trying to penetrate continental Europe really [especially] in terms of specialist staffing (Investment analyst #3, September 2002).

In this paper, we explore the expansionary dynamics of the temporary staffing industry and the emergent role of temping in different national economies. The internationalisation of temporary staffing has broad implications because this is not 'just another service industry'.

It is also an active agent in the re-regulation of labour markets, since the way in which multinational staffing firms penetrate new markets—in situations as diverse as Italy and China—reveals a great deal about changing structures and norms of labour regulation. Staffing firms are not simply supplying services, in their role as private labour-market intermediaries they are a major new *institutional* presence in liberalising economies. They facilitate new kinds of intermediated employment practices and forms of labour contingency that otherwise would be logistically and socially infeasible (Peck and Theodore 1998); they shield employers from benefit liabilities and break apart the implicit contract of continuing employment; and in the process they help to shape new labour-market practices and norms.

The research projects on which this paper draws have been tracking the development of the temporary staffing industry since the mid-1990s, largely by way of a programme of interviews with agency managers, trade and regulatory bodies and industry 'insiders', supplemented by the analysis of documentary and secondary sources. Perhaps not surprisingly, in an industry that trades in 'non-standard' employment, there are few independently-verified sources of data on the staffing business for many countries, and international data is extremely sparse. Developing a sense of the industry's internationalisation strategies consequently means piecing together and triangulating evidence from a variety of often inconsistent, usually partial and typically non-public sources, such as company information, consultants' reports, trade association membership lists, regulatory agency statistics and investment analyses. For the purposes of the present paper, these data sources were supplemented with a programme of in-depth interviews with key informants with knowledge of the staffing industry's international business practices and regulatory relations, including senior representatives of national and international industry associations (4), investment analysts and business consultants in Europe and the US (10), trade unions and labour organisations (4) and managers in multinational staffing firms (8). Interviews for this paper were carried out between February 2001 and July 2003.

We begin by exploring the question of labour-market regulation in relation to temporary staffing, where the generalised tendency to liberalise both 'mainstream' employment relations and to remove restrictions on private staffing agency activities has been opening opportunities for the largest corporations to capitalise on first-mover advantages in emerging markets. This is followed by an examination of the ways in which the industry identifies and exploits new and emerging markets. The paper argues that conditions favourable to the growth of temporary staffing are being fostered in an increasing number of countries through changes in national labour-market regulation brought on, in part, by the lobbying activities of the largest agencies, flanked by the concerted efforts of trade bodies and other industry advocates, which together are working to create and shape regulatory spaces in which new markets can be made and taken. In turn, the aggressive pursuit of these markets must be understood in the context of the industry's prevailing volume- and price-based business model. The limited success in transcending this model in mature markets like the US and the UK has added impetus to the move off-shore. In this context, 'market-making' is occurring at the interface of labour regulation and corporate strategy, an institutionally mediated process that sits awkwardly with the prevailing image of the temp labour market as a minimally-regulated 'spot market' for contingent workers. The global market for temp labour is not emerging spontaneously; it is being constructed.

Remaking temporary labour regulation

Across the advanced industrial nations, there has been a generalised, albeit uneven, movement towards more a 'liberal', decentralised and individualised pattern of regulation over recent decades. The privileged normative and institutional status of the 'standard' job—relatively secure, full-time, regulated by an open-ended contract of employment, often unionised and well-paid—has been eroded, sometimes dramatically, just as the numerical weight of such jobs has declined across North America and Western Europe (see Standing 2002). The flip-side of these developments has been the sustained growth in a wide range of 'non-standard', flexible and contingent jobs, many of which are part-time, temporary and/or insecure (see Kalleberg 2000). The structural expansion of the service sector has massively increased the demand for such forms of 'flexible labour', a trend that has been powerfully reinforced by the progressive dismantling of internal labour markets in the public and private sectors and the 'casualisation' and fragmentation of primary-sector jobs (see Osterman *et al* 2001).

Social-welfare and employment policies, along with labour and industrial relations laws, have been extensively redesigned, both to accommodate and to facilitate these developments.

Countries like the United Kingdom and the United States have pursued this project of re-regulation with radical gusto, while others such as France, Germany and the Scandinavian nations have proceeded more cautiously and incrementally. But the general tendency—unevenly realised, of course—has been to encourage labour markets to behave more like 'real' markets, to strengthen the play of competitive pressures, to erode social protections and to de-collectivise employment relationships. In this changing regulatory environment temporary work—once the very definition of a marginal employment form, both statistically and normatively—has emerged from the shadows. With the benefit of liberalising employment regulation, the temporary staffing business has enjoyed explosive growth in many countries, though invariably from a small base. The staffing industry yields its highest growth rates in relatively new markets, where penetration rates around one percent of the total workforce can in some cases be captured quite rapidly following liberalisation (see CIETT 2000b). Even in a mid-sized national market, a penetration rate of 'only' one percent translates into significant businsss for staffing services in revenue terms. One of the analysts we interviewed pointedly observed that Italy, which was liberalised only recently, now represents 'a billion dollar marketplace that was zero in '98. Now, that's a billion dollars; *a billion dollars in Italy!* And the Italian economy is not that big. This is a serious part of the future economy [for the staffing industry]' (Investment analyst #4, July 2003).

Recently, the pattern of regulatory reforms, across most of the advanced industrial nations and in many of the transitional and developing countries, has been favourable to the temporary staffing business (see CIETT 2000b; ILO 1997; Gonos 1998), which means that the industry is operating in the context of a 'positive' regulatory environment for the first time in its history. An event that has proved to be symbolically and materially important in this context was the passage of ILO Convention 181 in 1997 (which came fully into force in May 2000). Since 1949, the International Labour Organisation had advocated the prohibition of for-profit, fee-charging employment agencies (under Convention 96), a stance that rendered the placement of workers a *de facto* public-service monopoly in ratifying countries. Following sustained pressure from business interests and staffing-industry lobbyists during the 1990s, a convention favourable to private staffing agencies was eventually passed. ILO Convention 181 explicitly acknowledges the 'very different environment in which private employment agencies operate' today, noting their constructive ‘role … in a well-functioning labour market’ (ILO 1997: 1). This regulatory ‘green light’ has facilitated the international roll out of the staffing industry, the activities of which can now be cast in terms of ‘market-enhancing’ functions. For example, the International Confederation of Temporary Work Businesses (CIETT) melds sectoral lobbying with labour-market policy advocacy, ‘promoting the role that agency work fulfils in well-functioning labour markets [while] furthering the interests of agencies in all countries’.

Convention 181 reflected the changing economic and regulatory context that had come to prevail in the 1990s, which had witnessed some member countries already beginning to liberalise their temporary labour markets, just as it subsequently helped to legitimate ongoing reform efforts elsewhere. Such is the pro-business orientation of Convention 181, in fact, that it tends to be dismissed by labour unions as ‘an employers’ initiative’ (Jones 2002: 189).

Prior to Convention 181, the staffing industry had been afforded legal recognition in countries like Sweden (1993), Spain (1994) and Finland (1994), while some of the restrictions on the activities of private employment agencies had been lifted in Denmark (1990) and Germany (1992-1997). Following the Convention, legal recognition for private employment agencies was formally granted in Italy (1997), Japan (1999) and Greece (1999), while related regulations were liberalised in Belgium (1997) and the Netherlands (1998). This has meant that industries and occupations previously insulated from the activities of temporary staffing agencies have been progressively opened up—notable amongst these being the recent liberalisation of the manufacturing sector in Japan—to the point where most nation states can be considered to be in the process of developing regulatory frameworks conducive to the expansion of temporary staffing. However, the legacy of restrictive regulation remains, in the shape of a patchwork of limits on the activities of private staffing companies in many countries, even though these are being slowly chiselled away (see Michon 2000). The industry’s position on such restrictions, which is now beginning to hold sway, is that private staffing companies ‘should be allowed to operate in *all* sectors and branches of economic activity since the demand for temporary work exists in all sectors … [Otherwise] the need for flexible labour may be covered by other means, not necessarily subject to regulation protecting the workers concerned’ (CIETT 1997: 5). These arguments are finding a receptive audience. The EU’s Employment Taskforce (2004: 33, 32), for example, recently advocated '[r]emoving obstacles to temporary agency work' in order to facilitate labour-market flexibilisation, embracing the positive role of agencies as 'human capital managers'.

Moreover, large staffing companies are also making their voices heard, and again increasingly as purveyors of job-market flexibility, rather than solely as instrumentally-motivated service providers.

> Th[e] liberalisation of temporary staffing markets is increasing globally, hand in hand with improving social acceptance of flexible staffing alternatives. The role of staffing companies is evolving into one perhaps more accurately described as 'human capital management', where service is provided in the widest sense, anticipating supply and demand and enabling the labour market to operate more efficiently (Vedior nv 2000: 6).
>
> The crucial role played by the staffing industry in the labor market is being recognized more and more [including] by the regulators … Europe is moving toward deregulation of its labor markets, having learned hard economic lessons in the 1980s and 1990s [when] the more liberal US labor market was a powerhouse of job creation (Randstad Holding nv 2003: 4).

Directly and indirectly, the staffing industry is exerting a major influence on the path of regulatory reform at the national and international levels. As Jones (2002: 1989) remarks, the staffing industry has brought substantial pressure to bear through organisations like the Union of Industrial and Employers' Confederations of Europe (UNICE) in the key regulatory battlegrounds within the EU, while many of the agencies themselves, as 'powerful multinationals … possess substantial and effective lobbying capabilities'.

The temporary staffing industry increasingly portrays itself as an agent of responsible labour-market deregulation, especially in the large and liberalising European market, where its message is carefully tailored to policy audiences in Brussels and Geneva. While the 'domesticated' version of staffing industry rhetoric in the United States tends to be robustly free-market and occasionally libertarian (see Lenz 1996; Lips 1998; Peck and Theodore 2002), the language of the staffing industry's Brussels-based trade body, CIETT, is couched more in terms of European concerns with employment creation and labour-market inclusion. In this context, the disproportionate reliance of staffing companies on supplies of marginalised workers is rendered as a virtue, as the industry seeks to identify itself as an agent of labour-market inclusion (see CIETT 2000b, 2002). Following orthodox economic logic, the root cause of labour market exclusion is identified as counter-productive regulation. As a senior official at one of the industry's advocacy groups explained: 'The labour market [of] the 1970s is different to the labour market of today … What we think of as historical relics in the legislation, that were there originally to protect workers, are no longer achieving that function. [They represent] an obstacle to the growth of agency work … As the industry grows it is going to reshape the labour market. You can't change that situation' (October 2002).

Even if industry advocates will periodically warn that the 'deregulation/regulation pendulum is swinging back' and that '[r]egulated solutions [threaten to] derail market development' (Bernstein 2003: 15), the reality is that a 'deregulatory' dynamic is now well established. This generally positive regulatory climate helps to explain the explosive growth in temporary staffing in many countries, although the form and rate this growth continues to vary between national markets. Table 1, for example, details the way in which the regulatory environments of different countries are being scored by the staffing industry, and the expectations for market growth that follow from this. Drawing on the same data, Figure 1 reveals a telling correlation between regulatory environment, growth potential and market size, with the highest rates of growth being forecast for newly-acquired, deregulating markets

The industry's expectation is that the best growth opportunities will occur in *historically well-regulated but now actively liberalising* labour markets, such as Italy, Germany, Japan and Spain, even if in the first instance these markets are relatively small in absolute terms. These markets represent what one analyst described as 'virgin territory' for the temporary staffing industry, the selective liberalisation of which is opening up spaces for extensive growth. Here, the industry's tried-and-tested, high-volume business model is rolled out in a context in which markets, once opened up by concerted deregulatory pressure, need only to be taken. This can be characterised as a form of *primitive commodification* of the labour market's lower reaches. Most of these extensive-growth opportunities are close to being fully exploited in the staffing industry's mature markets, in countries like the United States and the United Kingdom, where the high-volume segments in the blue- and pink-collar sectors have been deeply colonised. Here, future growth will likely take a different, and more intensive form, as agencies incrementally explore a range of value-adding options, including

Table 1: Staffing industry assessments of market regulation and growth potential for selected countries

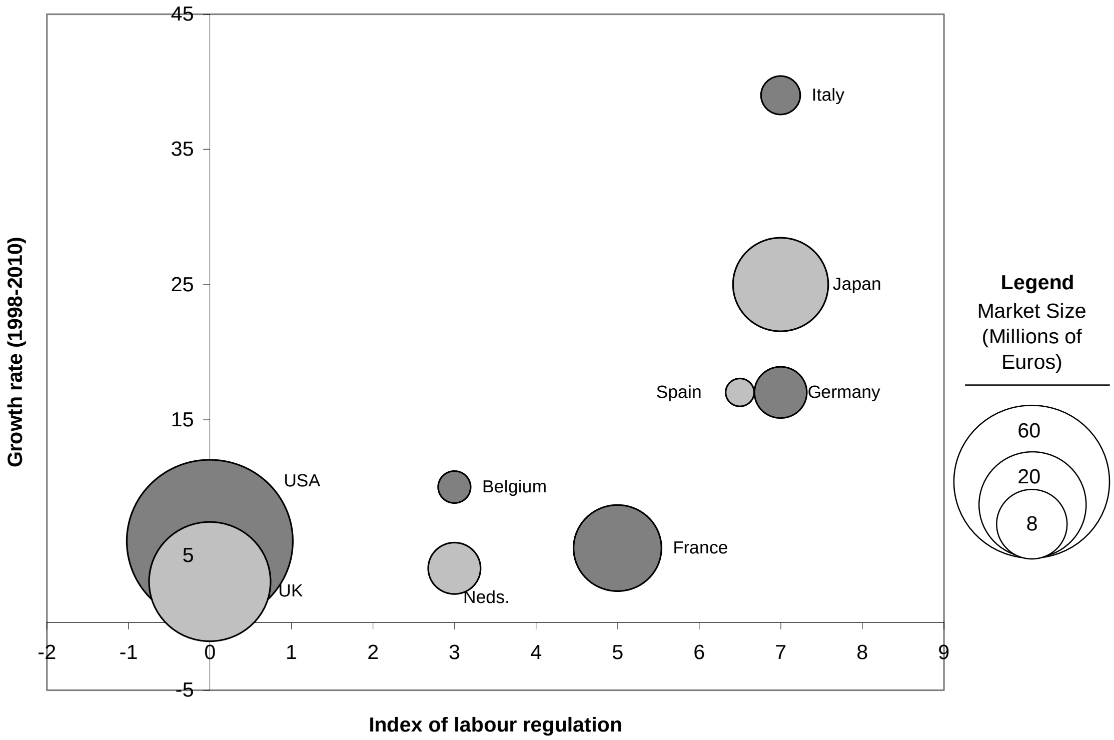
	Overall rate of de/regulation, 1989-1999	Index of employment regulation (0 = non-existent or weak; 2 = strict)					Staffing employment	
		Working time regulation	Temporary work regulation	Job protection legislation	Minimum wage laws	Aggregate index	Projected annual compound growth rate, 1998-2010 (%)	Labour market penetration rate, 2010 (%)
USA	Liberal, established	0	0	0	0	0	5-7	3.2
UK	Liberal, established	0	0	0	0	0	2-4	4.2
Ireland	Liberal, established							
Netherlands	Liberal, deregulating	1	0	1	1	3	3-5	6.2
Sweden	Liberal, deregulating							
Finland	Moderately liberal, deregulating							
Norway	Moderately liberal, deregulating							
Denmark	Moderately liberal, deregulating	0	0	0	0	0		
Belgium	Moderately liberal, mostly static	0	1	1	1	3		
Portugal	Moderately liberal, deregulating	1	1	1	1	4		
Luxembourg	Moderately liberal, static							
France	Moderately restrictive, regulating	1	1	1	2	5	4-7	4.2
Italy	Restrictive, deregulating	1	2	2	2	7	35-43	2.0
Austria	Restrictive, static							
Spain	Highly restrictive, deregulating	2	1	2	2	7	15-19	3.4
Germany	Highly restrictive, deregulating	2	2	2	1	7	13-21	3.8
Greece	Highly restrictive, deregulating							

Sources: derived from CIETT (2000b) and Randstad Holding nv (2001, 2003)

bolting on services to the basic temporary labour package (such as on-site management of temporaries and other forms of human-resources augmentation), and moving up market into professional and technical niches, where margins are higher and price pressures are attenuated (Ward 2003). In a stylised form, we characterise this intensive market strategy as one of *transformative commodification* in Table 2, while emphasising that, at the present time, this represents something of a frustrated aspiration for the staffing industry, rather than an achieved reality (cf. Silber 1997; Theodore and Peck 2002).

While the industry's major players are clearly focused on the long-run scope for transforming, rather than simply taking, markets, at this relatively early stage in the global roll-out of temporary staffing the dominant strategy is primitive commodification. This partly reflects the paths of least resistance for temporary staffing—the capture of 'virgin territory'—but it also speaks to the business dynamics of the industry: as the major corporations make a global push for greater volumes and market share, they will often use scale economies to drive down prices and hold the competition at bay. This means that there is a self-destructive dynamic in maturing temp markets (see Theodore and Peck 2002), which tend to be associated with falling margins, as the largest agencies leverage their market share, corporate brand and global positioning to protect volumes and to exert pressure on competitors. This can in turn lead to endemic price-based competition, persistently narrow operating margins and little room for manoeuvre in terms of the remaking of business models or the development of value-adding services.

Figure 1: Projected temporary staffing market growth by strength of labour market regulation, selected countries 1998-2010



Sources: authors' calculations derived from CIETT (2000b) and Randstad Holding nv (2001, 2003)

The strategic focus on global markets therefore reflects both the potential of the staffing industry and its limits. The paradox of the industry's mature markets—the United States being the prime example—is that the market-transforming aspirations of reaching higher into the labour market and extending farther along the value chain coexist with the commodifying tendencies of heightening price competition and intensifying margin pressures. With very few exceptions, staffing companies need to build from a platform of high-volume business, where margins are most easily lost to the market, but their own business strategies are implicated in the degradation of these very markets. Meanwhile, the staffing industry's increasingly market-savvy corporate clients have tended to gain pricesetting control over time, learning that there is no longer a need to pay a premium for many value-adding services and other 'extras', but that instead these can be folded into heavily discounted contracts. And as markets mature, the tendency for de-concentration further intensifies these pressures.

Table 2: Characterising mature and emerging markets in the temporary staffing business

	Form of commodification	Nature of growth	Market strategy	Business model	Typical locations
Emerging	***Primitive*** Following paths of minimal resistance into newly liberalised segments of the labour market; focused on low-skill, low-wage, highly-substitutable labour	***Extensive*** Rapid extension into emergent markets, with first-mover advantages for early colonisers; high up-front investments in lobbying and regulatory advocacy	***Market taking*** Capture of newly opening markets; limited inter-agency competition in early growth phase; building large sales platform to achieve wide market coverage	***Basic*** High volume, low-margin business model, with strong downward pressure on costs; low barriers to entry	***Deregulating*** For example, Italy, Japan, Germany
Mature	***Transformative*** Building from a platform of high-volume business, constructing value-adding strategies designed to penetrate higher, and less price-sensitive segments of the labour market	***Intensive*** Incremental growth into more complex and quality-competitive markets, deepening and elaborating the service offering in order to capture new business	***Market building*** Circumscribed attempts to evade price competition, while developing more strategic relations with business clients; development of speciality brands and operations	***Elaborated*** Augmented business model with value-adding components, including penetration of speciality segments and embrace of wider human resources functions	***Liberalised*** For example, United States, United Kingdom

As Table 3 confirms, the staffing industry's emerging markets are considerably more likely to be oligolopolistic than its mature markets. For all their depth of experience in these long-established markets, the largest three staffing agencies account for less than 12 percent of revenues in the US and UK, while the top three account for at least 50 percent of national revenues in emerging markets. This situation reflects two different sides of the market power of the global agencies: first, they have become extremely adept at rapidly establishing branch networks and brand presences in emerging markets, and second, the architecture of regulatory settlements in these markets tends to favour the major corporate players. In many such cases, of course, the interests of the major corporate agencies overlap with those of national regulators, since both will want to see 'orderly' markets within which the barriers to entry are relatively high. In Italy, for example, private staffing agencies must obtain a (relatively expensive) licence from the state in order to operate, and they are also required to establish multi-branch networks spanning several regions of the country. This has the effect of deterring small, independent operators from entering the market, an outcome that suits both large staffing businesses (who retain market share) and regulators (who are better placed to establish market surveillance systems). These markets may therefore be orderly, but they are also heavily corporatised. That the Italian regulations produced this outcome, moreover, was hardly accidental: 'You are really starting from a blank sheet of paper … The largest staffing companies in the world literally dictated—*helped to write*—the legislation [in Italy]' (Investment analyst #3, September 2002).

Table 3: Staffing industry concentration by market

	Market share captured by top three agencies (%) 1998	**Top three agencies (rank order) 1998**
Mature markets/ individualised labour regime		
USA	11.9	Manpower, Adecco, Kelly
UK	11.4	Adecco, Manpower, Hays
Mature markets/collectivised labour regime		
France	72.3	Adecco, Manpower, Vedior
Netherlands	64.9	Randstad, Start, Vedior
Emerging markets		
Belgium	61.4	Randstad, Vedior, Creyf's
Spain	50.3	Adecco, Vedior, Alta Gestion
Sweden	73.0	Manpower, Proffice, Adecco

Sources: Deutsche Bank (2000), Staffing Industry Analysts (2001a, 2002)

The making and taking of international markets is therefore proceeding in tandem. Agencies realise a number of advantages when pushing into off-shore markets. First, top-line sales growth is secured: entering new geographical markets increases the number of workers that agencies place on a daily basis. Moreover, large agencies are better able to bear the costs, in both organisational and regulatory terms, of market entry. Second, internationalisation enables the largest agencies to manage and minimize the effects of individual countries' business cycles in this profoundly cyclical industry. For example, job losses associated with the US recession of 2001 were initially cushioned by the relative robustness of several other national markets. Geographical diversity hardly guarantees immunity to cyclical downturns, however, as the subsequent slowdown in the majority of global staffing markets illustrated (see CIETT 2003). Third, internationalisation enables agencies to mirror the supply-chain networks of their largest clients, as the preferred service providers for multinational corporations (Ward 2004). In such contexts, the staffing industry's corporate clients are using agencies to navigate uncertain labour markets, to act as an interface between the client company and the local labour supply. This means that a premium is placed on efficiently 'reading' different labour markets, as agencies seek to create synergies between standardisation and scale economies on the one hand and local customisation of the service offering on the other.

> [To be] successful internationally … you have to have the size, so that you can invest a lot in these new areas … You definitely need some local people too, because every market is different in terms of labour-market rules, customs. You want to have local people running your business there, but you want to control them very well' (Investment analyst #3, September 2002).

Finally, a global profile also strengthens the hand of staffing agencies in lobbying terms, particularly in the crucial arena of re-shaping national labour-market regulation. Nowhere are these efforts more important, in a strategic sense, than in the opening up of new markets.

Making temp markets

Although the international reach of the temp industry has increased markedly, there is significant variation in its penetration of different national markets. As Figure 2 shows, branch networks are especially dense in the 'heartlands' of temping in Western Europe and North America. Africa remains the only continent in which the largest temporary staffing agencies have a minimal presence; with the exception of South Africa, the leading staffing agencies are barely represented on the continent.   It is clear, though, that a global roll out is under way. According to Terry Adderley, President of Kelly Services, 'There are easily 20 to

25 new countries that we will enter over the next decade'.[1] This global reach is evident also in the membership base of CIETT, which now extends to 30 countries, and where since 1998, China, Chile, Poland, Romania and Uruguay have become country members.

Yet despite the rash of activity in some of these 'frontier' zones, the more prosaic reality is that the global staffing market remains a geographically concentrated one, with the UK and North America together accounting for 60 percent of global sales. The addition of the next four markets—Japan at 13 percent of global sales, France at 11 percent, and Germany and the Netherlands each at 4 percent—reveals that no less than 92 percent of the global temp market is concentrated in just six countries. Crucially, however, Germany and Japan are still both regarded as under-penetrated, emerging markets by staffing industry analysts, while the 'rest of the world' economies represent potential for rapid growth opportunities in the longer term.

While the industry will continue to press for a stronger presence across a wide range of markets, the most lucrative of these are likely to be in Japan and Western Europe, given their potential size, regulatory constitution, and scope for intensive, 'up-market' growth. As two interviewees emphasised:

> If we look at the industry globally, *clearly* there are some geographies which are very attractive to the staffing companies … large, industrialised economies where previously you have had prohibitive legislation. Legislation is one of the key drivers for the industry (Investment analyst #3, September 2002).

> The temp industry is [a phenomenon of] developed labour markets … where companies need to be [more] efficient, and where there are some issues about hiring and firing. That speaks for more and more use in Europe; it speaks against [strong growth] in developing countries … because they [have] a very informal labour system (Investment analyst #2, September 2002).

The simple metrics used by staffing industry analysts to assess market potential underline this point. What we term here 'type-A' market penetration refers to the scope for extensive growth. This is obtained by comparing a country's share of global GDP to its share of global staffing-industry activity. The rationale for this measure is that large economies offer the greatest capacity for growth, since temp markets expand at the expense of 'mainstream'

[1] Speech at Bear Sterns 12th annual technology conference, 12 June 2001.

labour market opportunities. (Here, growth tends to be concentrated in the traditional markets for clerical and industrial labour—the staffing industry's core business.) Discrepant cases, in which a country has a high proportion of global GDP but a relatively low share of global staffing activity, are considered to be 'under-penetrated'. Using this indicator, in 2000, the most attractive markets were (in descending order) Italy, Japan, Spain and Germany. At the other end of the spectrum are the Netherlands, US and UK, where the scope for future extensive growth is likely to be relatively modest and incremental, short of transformative shifts into high value-adding sectors.

Figure 2: The global presence of the six largest temporary staffing agencies

Sources: company reports

A second rule-of-thumb method of assessing growth potential measures the number of placements by temporary staffing agencies against the overall size of the contingent workforce, or 'type-B' market penetration (see Table 4). In those countries where temporary staffing represents only a small share of all 'non-standard' jobs, the industry's growth potential is regarded as high. This category includes Denmark, Finland, Germany, Italy, Portugal, Spain and Sweden, since here staffing agencies place less than one in 20 workers employed in non-standard arrangements (CIETT 2000b). In contrast, where the temporary staffing business has captured a large share of the total contingent labour market (as is the case in the UK, the Netherlands, Belgium and France), agencies tend to adopt a dual strategy of protecting volumes in commercial staffing, while pushing into professional and technical occupations. For example, in the UK almost one in every two workers employed on a non-permanent basis is recruited through a staffing agency (CIETT 2000b; Ward 2003), while agencies also place a very high proportion of all temp workers in the US (Theodore and Peck 2002). The industry is generally accepted in these nations, where it has tended to gain business at the expense of other forms of contingent work. Agencies also use this indicator as a means of assessing growth potential:

> Growth opportunities are determined in part by the still low penetration of (contract) staffing in many of our areas of operation. In countries such as Italy, Spain, and Germany, temporary staffing plays a much less prominent role than in more mature and less rigid markets, such as the Netherlands, the UK and the US (Randstad Holding nv 2000: 13).

The extent to which a given market is attractive depends on the particular configuration of state regulation, prevailing wage conditions, industrial and occupational mix, and the in/formalisation of employment relations. What is crucial, then, is the quantitative and qualitative nature of each market's development, which in turn hinges on the regulatory settlement in each country. It is difficult to overstate the extent to which these factors shape what are conventionally understood to be 'market fundamentals', like the overall size of the market, degrees of concentration and—perhaps above all—margins.

> The highest gross margins are in Germany, [the] Nordic [countries], the Netherlands, Spain, but it's falling as we speak. The lowest would be places like France, Belgium and Spain … Gross margins are to a large extent a function of legislation and the competitive structure and maturity of the market. [For example, in] the Netherlands, you've got a very benign legislative structure historically … and a player who has 40 percent market share. It's the most profitable gross-margin in the world [at] 25 percent … but in France it's like 12 percent. Why is that so different? The key difference is legislation (Investment analyst #3, September 2002).

In the context of corporate efforts to enter and develop new geographical markets, it is possible to discern three distinctive modes of development. The first, typified by Italy and Spain, are markets in which agency-supplied temporary employment has expanded rapidly following liberalisation. Here, type-A growth is dominant, but a transition to type-B growth is beginning. The second, including Germany and Japan, are markets in which varying degrees of uncertainty remain over the nature of future regulatory change and the speed at which temporary staffing will become a 'socially accepted' form of employment. The size and depth of these type-A markets, however, makes them the staffing industry's prime targets. The third, consisting of a number of countries in Central and South America, as well as parts of Asia, are markets where temporary staffing agencies have had a modest presence for a number of decades, but in which unfavourable economic conditions and political uncertainty have constrained opportunities for growth. These latter markets have been 'emerging' for some time now. Although the number of workers placed by the largest agencies is not insignificant, because the gross margins on lower-waged workers are so small, this activity barely registers in annual corporate accounts. These three forms of emerging markets are now considered in more detail, since they each shed light on the nascent global structure of the staffing industry, and its limits.

Table 4: Potential growth indicators in the temporary staffing industry

	Proportion of total workforce working through a temporary staffing agency ('penetration rate') (%)	**Placements through a temporary staffing agency as a proportion of the non-standard labour market (%)**
Mature markets/ individualised labour regime		
US	2.2	Data not available
UK	3.20-3.50	45.0
Mature markets/collectivised labour regime		
France	2.20-2.50	18.0
Netherlands	3.20-4.50	35.0
Emerging markets		
Austria	0.68	7.7
Belgium	1.50-1.80	20.0
Denmark	0.14	2.0
Finland	0.33	3.3
Germany	0.60-1.22	4.8
Greece	Data not available	Data not available
Ireland	0.50	6.5
Italy	0.04	0.5
Japan	Data not available	Data not available
Luxembourg	1.70	60.0
Portugal	0.90	5.0
Spain	0.68	2.1-15.7
Sweden	0.45	3.5

Sources: CIETT (2000b, 2002b), Ward (2001), Bernstein (2003)

'Latent demand': Spain and Italy

Spain and Italy have experienced phenomenal growth rates in the wake of regulatory reform. Agency-supplied temporary staffing was legalised in Spain in 1994, with Italy following suit in 1997. In both countries, liberalisation led to rapid growth in the number of agencies and workers placed. By 1999, there were 403 staffing firms operating in Spain, with 1,752 branch offices placing approximately 660,000 workers daily (CIETT 2000a). In Italy, the number of temporary staffing agencies ballooned from zero (officially) to more than 300 in the space of three years, with a corresponding increase in workers placed by agencies. More than 450,000 temporary agency jobs were being created each year in Italy according to 2000 figures, with agencies placing the equivalent of 70,000 full-time workers daily (ISFOL nd). As one investment analyst commented, 'Both of those markets just boomed. That tells you there is a latent demand in some of these markets … It was just held back by law' (Investment analyst #2, September 2002).

Growth in Spain and Italy may reflect employers' 'latent demand' for workers hired under contingent arrangements, but it also is an outcome of political manoeuvring by the largest agencies defining the post-legalisation rules of the game. Adecco, in particular, established an early presence in Spain, even before market liberalisation, 'speaking with politicians, seeing what is developing [and identifying] the good locations … They had people on the ground' (Investment analyst #2, September 2002). This foreshadowed an aggressive bid for market dominance. Adecco used its first-mover advantages to 'lock up' the Spanish market, initially commanding high margins on activities there. By the late 1990s, Adecco controlled 28 percent of the Spanish market, approaching three times the shares of its nearest competitors (Ward 2004). With its high-profile corporate brand, global network of offices, and large number of 'blue chip' clients, Adecco's presence in the maturing Spanish market has given it decisive advantages both domestically and in other new markets.

Other industry leaders have learned from Adecco's experience, entering the newly-opened Italian market with heavy up-front investments. Here too, the largest agencies were actively involved in shaping the regulatory framework, which was clearly structured in their favour: 'You can actually see Adecco, Manpower, Kelly, all these big guys, saying … "*That's* [how] we would like a new market to function'" (Investment analyst #3, September 2002). For these corporate agencies there is:

> an advantage in being large, because you can tolerate being … early in those markets. Adecco got its foot in nearly every one of the new markets … so early. They locked the market up. Manpower and Kelly saw them do that, and were just as aggressive in Italy (Investment analyst #2, September 2002).

As in Spain, a large share of the early business in Italy was at the bottom of the labour market. But there was a payoff in the short term in the form of high gross margins, typical of such oligopolistic markets. So in both countries, even though agencies targeted the (ordinarily low-margin) blue-collar market, first-mover advantages enabled the negotiation of high-margin accounts. This has meant that, in Italy, 'there's been a big bonanza for the large companies' (Investment analyst #3, September 2002).

For the big staffing companies, this has been a learning process. Adecco, for example, parlayed 'the learning experience out of Spain' (Investment analyst #4, July 2003), by deploying managers to staff its nascent Italian operations.

> Adecco … felt that [the two countries were] similar enough that they could actually run the Italian operations from Spain, which they did originally. They used the managers who were used to operating in a brand new market and they moved them to Italy (Investment analyst #1, June 2001).
>
> When they moved to Italy, [Adecco] used a lot of the Spanish people—the cultural affinity, Spain and Italy, they just transplanted lots of the branch managers and [senior] managers (Investment analyst #2, September 2002).

So in Spain and Italy, industry leaders positioned themselves to capitalise on newly liberalised markets by establishing an early (pre-liberalisation) presence, so they could court employers and actively influence the content of regulatory reforms. The payoff for these efforts was realised both in the new opportunities for capturing increased placements over the long run and in securing high-margin business in the short term. But as these markets developed, they became more competitive and margins declined sharply. Many in the industry now bemoan this situation in terms of an almost naturalised 'law of falling margins'.[2] Another reason why growth slowed in Spain was that a legislative reform in 1999 raised the wages of

[2] Investment analyst #2, September 2002; Investment analyst #3, September 2002.

temp workers by an average of 20 percent, which immediately 'result[ed] in a lower demand by user companies' (CIETT 2002: 59). This seems to have consolidated the shift from type-A to type-B growth in Spain, as the overall temp penetration rate has flattened out, while staffing agencies are claiming a growing share of contingent labour market. Along with the squeezing of gross margins, this is evidence that the Spanish market is maturing rapidly.

> The gross margin development in [the Spanish and Italian] markets is like a compressed version of the US. The gross margins started at 35 percent, but as these companies got scale, it came right back down, and now it is about 15-18 percent (Investment analyst #2, September 2002).

Falling margins are to be expected in these markets, where industrial placements comprise the largest share of the staffing business, since 'it is much easier for gross margins to fall in blue collar-dominated markets, [of] which southern Europe is a classic example' (Investment analyst #3, September 2002). And as margins narrow, maintaining sales volumes becomes imperative. In this respect, 'Spain was a market that matured *really* quickly … [It] is now on an up-tick, not just in terms of revenue growth, but a more rational [inter]play between Adecco and Manpower, the two largest players [who are] making a *lot* of money in Spain' (Investment analyst #4, July 2003). But if volumes matter, then volume *growth* matters more, so soon the hunt would be on for growth opportunities elsewhere.

'Huge potential': Japan and Germany

A second set of emerging markets is to be found in Japan and Germany where liberalisation is proceeding more slowly, and unevenly, but where the long-run potential for staffing-sector growth is much greater. Already, the value of the Japanese market is one third the size of the US market, now standing at more than €20 billion per annum, while the German market is worth a not insignificant, €6 billion. Both countries have a high proportion of global GDP relative to their share of global staffing activity and, in both countries, agency-supplied temporary staffing comprises just a small share of the workforce employed under non-standard arrangements. These indicators suggest that, should liberalisation occur, the potential exists for temporary staffing agencies to significantly expand their operations through both type-A and type-B market penetration strategies. It is not just the scale but the qualitative character of these opportunities that is attracting large staffing companies. Both labour markets have been institutionalised in such a way that temporary staffing was, until recently, almost anathema. But now that fundamental changes in both regulatory frameworks and employment practices are beginning to gather pace, the opportunities for staffing companies—as arm's length partners in workforce restructuring—are enormous:

> We have always thought [Japan] was a huge opportunity for the future because of the liberalization of the laws there, the restructuring of Japanese industry and lifetime employment coming to an end (Tony Martin, CEO of Vedior, quoted in *Global Staffing Industry Report* 2001: 8).
>
> Both Japan and Germany are just ideal for this industry because there are companies that have a lot of restructuring [to do], many inefficient companies that need help organising their labour (Investment analyst #2, September 2002).

Japan and Germany are attractive to the staffing industry for several reasons. Their large, diverse economies offer opportunities for picking the low fruit (capturing high volumes in low-margin occupations), while at the same time penetrating high-margin, specialised segments in professional, skilled and technical occupations. Investment analysts see tremendous potential in these largely untapped markets:

> The interesting thing about this industry is that you have the second and third largest economies in the world, which are Japan and Germany, where you've had very restrictive legislation. Obviously wage levels are high in both of those countries. You have a very under-penetrated situation … Even if they get to 60-70 percent of the penetration levels of the US, these are going to be *big* markets (Investment analyst #3, September 2002).

Recent changes in the regulation of the Japanese labour market have created conditions for the rapid growth of the industry. Leading up to liberalisation, between 1996 and 1999, temporary-staffing revenues increased by 53 percent and the number of agency offices expanded by 23 percent (CIETT 2001). Laws governing the temporary staffing industry were greatly relaxed in 1999, replacing the 'positive list' of job fields in which labour-dispatching had been permitted with a relatively short 'negative list' of occupations with restrictions on temporary staffing (Shozugawa 2001). In the wake of liberalisation, staffing revenues grew by 14.5 percent during 2000-2001 and by 16.4 percent in 2001-2002, before trebling the following year (CIETT 2003; *Economist* 2004). In July 2003, the Japanese government further enlarged the list of occupations in which temporary staffing agencies are allowed to place workers, opening up the manufacturing sector in a significant way. Some of the innovations that the staffing industry has brought to the Japanese market—such as temp-to-perm employment and new forms of screening (see Shozugawa 2001)—are now spreading widely across the economy. As reforms of the lifetime employment system continue, this means that temporary-staffing strategies are likely to figure increasingly in system-wide forms of employment restructuring. For these and other reasons, staffing industry insiders expect the Japanese market to double or even treble in value over the 2003-2008 period (*Staffing Industry Report* June 27, 2003: 6). Business opportunities for staffing agencies have also been identified in helping companies manage the shift to part-time employment, by outsourcing 'burdensome paperwork' along with placement contracts (*Economist* 2004).

Turning to Germany, continuing uncertainties about the rate and reach of liberalisation mean that the potential for growth remains unrealised. This said, the staffing industry has been growing very quickly from a tiny base. The number of agency workers rose by 162 percent during the 1980s and then by a further 175 percent during the 1990s, while the strength of type-A growth is reflected in the doubling of the temp penetration rate during the 1980s, and its redoubling in the 1990s (see CIETT 2002). By all accounts, though, this represents only a beginning. As two industry observers explained:

> The largest potential is in Germany [which] is the largest employment market in Europe [but] agency work is a very small part of the labour market. Why? Because of rigidities in the legislative framework (Industry representative, October 2002).

> [Staffing companies will be] taking big steps into markets where there is a catalyst [in the form of liberalisation]. In Japan there was a catalyst. In Germany it is probably a bit too early … [You want to see] very clear signs that there will be deregulation. There was in Japan … In Germany, it has been a really slow move forward, there hasn't been a true transformation of the industry, transformation of law (Investment analyst #2, September 2002).

But the transformation may now have started. Following the Hartz Commission recommendations, the summer of 2003 brought an agreement between the National Association of Staffing Services Companies (BZA) and the German Federation of Labour Unions (DGB) that may loosen the restrictions on the German temporary staffing industry. Legislation coming into force in 2004, however, will require that temporary workers enjoy the same conditions of work—including remuneration—as permanent employees at each work site, a development that seems certain to stifle some of the nascent demand for flexibility from the private sector in Germany (see CIETT 2003). Meanwhile, new opportunities are being opened up for staffing agencies in the placement of unemployed workers through a partnership with the public employment service. The German market may continue, therefore, to be a complex and somewhat idiosyncratic one.

Although they will both take off in their own way, the German and Japanese markets both seem poised for growth. The highly developed state of these economies points to substantial opportunities for diversified growth, ranging from lower-end segments to occupations further up the value chain. Not surprisingly, several major international players are making concerted moves into Germany well ahead of decisive market liberalisation.

But there remain quite serious uncertainties about both the German and the Japanese markets. Manpower, for example, established a modest presence in Japan as long ago as the mid-1960s—'Manpower plants its seeds early on and then lets them gestate' (Investment analyst #4, February 2001). But some four decades later it is only just becoming clear *how* the Japanese market might be liberalised and therefore how this major market will be opened up to the staffing industry. As the same analyst asked in a subsequent interview, 'The future growth opportunities, which are Japan and Germany, are these going to be like the Italys and Frances, where a few companies really rule?' (Investment analyst #4, July 2003). The early signs in Japan are that this will be a relatively open market, its 'remarkable growth' in recent years having been accompanied by 'steep increases in competition' (CIETT 2003: 32). And it seems clear that growth in the German market will continue to occur in the 'shadow'—as the industry sees it—of substantial ongoing regulation. This, however, is likely disproportionately to favour the large agencies.

'Bottom-line concerns': Central and South America

Countries in Central and South America, along with parts of Southeast Asia, constitute a third set of emerging markets for the temporary staffing industry. A decade ago, many industry insiders were referring to Latin America as the next regional market into which the largest agencies would expand. In fact, some agencies with international operations, particularly Manpower, have maintained a small presence in Argentina, Brazil, Chile, Costa Rica, Guatemala, Mexico, Paraguay, and elsewhere in the region since the 1970s. 'A lot of [temporary staffing agencies] see South America as a new horizon now', one well-placed observer explained. 'As these economies become less inflationary and a little more stable, there are some real opportunities for growth' (Investment analyst #5, June 2001). However, while some of the industry's most senior executives have talked up the potential of this region, many in the investment community are more circumspect, largely due to the low wages that prevail in these economies. The narrow margins that are associated with extensive growth would likely be wafer thin in economies where formal-sector wages are low, while informal labour markets continue to undercut the staffing business from below. Here, both the 'floor' and the 'ceiling' of the labour market are set at a low level, constraining the scope for staffing-sector growth.

> [In Latin America] the wages are low. You have to get an *awful* lot of people mobilised to make a difference to your bottom line (Investment analyst #2, September 2002).

> Brazil is a very under-penetrated market because the wage levels there are so low … The volume of temps is high, but the actual bottom-line impact is not large … Latin America already has quite a lot of temps. The volume of temps in Brazil might be comparable to the volume of temps that Adecco has in Italy or Spain … But when you multiply that by the hourly wage, it is a much smaller proportion of their sales (Investment analyst #3, September 2002).

The Brazilian, Chilean and Mexican markets, which are lauded as having the greatest prospects for long-run growth, have been beset by economic and political uncertainty, which makes expansion a high-risk strategy (CIETT 2003). This is difficult terrain for shareholder-sensitive public companies. So, in important respects, Central and South American markets remain dormant, although with some potential for future growth. Overall sales and placement levels are modest and the business is dominated by low-wage, low-margin placements that barely register on corporate financial statements. On the other hand, legislative and regulatory changes present enhanced opportunities in the region—liberalisation recently has occurred in Mexico and Chile—and foreign direct investment by North American, Asian and European companies presents new opportunities for agencies to supply staffing services.

The awkward—but revealing—truth is that in Central and South America wages are 'too low', labour markets too flexible and macroeconomic environments too uncertain for the staffing industry to take a serious interest at this stage. They have a presence, but growth prospects are severely limited in comparison to the tendentially liberalizing, high-wage economies of Western Europe and Japan. As one commentator observed, 'Both Adecco and Manpower are in various Latin American countries … and it is a relatively decent number of people, but I don't think these are going to be mature [markets]' (Investment analyst #2, September 2002). For the staffing industry to get real traction, it seems, its host economies must be both comparatively prosperous and relatively well regulated, since the industry finds its markets in the underside of these conditions. Where the 'shadow' cast by the mainstream economy is relatively small, the business opportunities for staffing companies are profoundly circumscribed (Peck and Theodore 2002). This is why developing-world economies are seen to have relatively little potential in the short term. As one of the analysts put it, 'It is just a matter of waiting for—if it happens—the rise of these economies. It doesn't look like it at the moment, but if they ever get into better shape … ' (Investment analyst #3, September 2002).

Conclusion: the business of labour-market 'deregulation'

In some respects, the international roll out of the temporary staffing industry resembles a textbook case of corporate globalisation: a small number of large firms are leading an aggressive global push, unlocking once-protected national markets through a sustained and cumulative process of regulatory liberalisation. But the unique nature of the staffing industry's product means that this is not an everyday story of corporate globalisation. Temporary staffing markets are being created in the wake of labour-market deregulation, and they are at their most lucrative where 'flexibility' is a comparatively scarce commodity. In the developed-but-regulated economies of Japan and Western Europe, the general tendency has been for regulatory reforms that stimulate or accommodate increases in both the demand for and the supply of temporary workers: on the supply side, prohibitions and restrictions on staffing services are being removed, allowing agencies to enter and grow into new markets; on the demand side, the 'deregulation' of mainstream employment relations and the erosion of internal labour markets is fuelling demand for temps at the workplace scale.

This combination of circumstances means that the most developed economies in the world have become prime targets for the staffing industry, which is now capitalising on the scope for commodifying employment relations in an usual set of 'emerging markets' within the global North. In this context, there is some truth in the industry's self-portrayal as a facilitator of labour-market flexibilisation, since the 'latent demand' in such markets means that new business opportunities are there for the taking for companies that can bear the start-up costs. More than this, though, the staffing industry must be seen as an active agent in the process of labour-market 'deregulation'—from early advocacy efforts for liberalisation, through lobbying around the architecture of such markets and the initial jockeying for position, to the daily business challenges of realising profits from the brokerage of employment relations within different labour-market cultures. Staffing companies have been gambling on, investing in and capitalising upon the progressive 'deregulation' of first-world labour markets.

Since the staffing industry typically has to invest and negotiate its way into each national market, the initial barriers to entry—in 'institutional' terms—can be regarded as high. The industry's corporate leaders therefore press to secure (de)regulatory settlements that protect their position, at least for a time. In this sense, the major agencies are extending their regulatory leverage on a market-by-market basis, the subsequent intensification of price competition reflecting the *limits* of market control in the temp business. Even though virtually all temp markets now include 'global' players, most of their transactions are local ones—connecting local jobseekers to local employers. As markets mature, it becomes easier for local agencies to enter, the aggregate weight of which soon alters the terms of trade, culminating in falling margins. This, then, is not a unidirectional process of global integration, but a dialectical process in which local temp markets, national regulatory systems and multinational strategies are coevolving in a complex manner. 'Global' pressures and players are helping to open up national markets, but each market is opening up in its own way. Contrary to many of the stereotypes of 'global competition', the international temp market remains highly differentiated, the interests of the industry's multinational players being in orderly liberalisation and oligopolistic conditions, enabling primitive (labour market) commodification with limited (intercorporate) competition. True, the overall dynamic would seem to be towards the deregulation and degradation of temp markets, as they 'mature', but this is not a simple outcome of intensifying cross-border competition.

In this context, staffing-business processes and practices are internationalising unevenly along with—and partly *through*—the ongoing normative restructuring of labour markets along neoliberal lines. Such forms of labour-market restructuring constitute the *context* for the staffing industry's expansion, but, in important respects, restructuring is itself the business. As the staffing industry grows to scale, it becomes part of the institutional infrastructure of the labour market, reshaping the ways in which national, local and occupational employment systems are organised, while continuing to generate new sources of demand for its own services. In Japan and Germany, which are now embarking on the process of systemic regulatory change, the upstart staffing industry is poised to assume the role of advocate for, and partner in, workforce restructuring. More than just a predatory 'external' presence, the staffing sector is set to co-evolve with wider employment-system changes in these liberalising economies, a new development of wider significance.

In this sense, the liberalisation of temporary staffing markets—partly a product of intense regulatory pressure exerted through both business and policy channels—is the beginning rather than the end of the story. Staffing companies are purveyors of a very particular kind of for-profit labour-market intermediation, the specificities of which are shaping emerging temp markets and the nascent global structure of the industry. In crude terms, the staffing industry's main markets are to be found in the low-wage segments of high-wage, *but liberalising*, economies. On entering new markets, major staffing companies will seek regulatory settlements that establish a honeymoon period of oligopolistic competition and high margins. But the subsequent growth strategies of the corporates tend to be self-destructive, given the proneness of high-volume markets to commodification and de-concentration. And the thinner the margins become, the more volume the staffing industry needs. This 'Spanish syndrome' causes the staffing industry to commodify its own markets, through its own actions invoking the 'law of falling margins', even while these same circumstances tend to fuel expansionary dynamics, driving up penetration rates. Therefore, as the staffing industry grows, so the downward pressure on regulatory standards in its host labour markets intensifies.

While the staffing industry yearns for better opportunities for up-market, intensive growth, its own behaviour tends to engender price-sensitive and client-driven markets. And the more that the industry is frustrated in its efforts to push upward occupationally, the greater the necessity to push outward geographically. This is where the giant corporations of the staffing industry have an (initial) advantage. They are also learning that while size matters, continued growth is essential, even if some of this growth is ultimately self-destructive. The temporary staffing industry has shown itself to be remarkably adept at delivering its product in an increasing number of national contexts. But it has apparently been unable to escape the limitations of its established, mass-production business model. In regulatory terms, this means that the staffing industry will—must—continue to internationalise in an aggressive manner, with far-reaching consequences for relatively socialised labour-market regimes. In business terms, it means that the industry will continue to degrade markets almost as fast as it makes them. For an ostensibly post-Fordist industry, this would seem to be a classically late-Fordist problem.

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Acknowledgements

The research presented in this paper draws upon projects funded by the British Academy, the Ford Foundation and the Rockefeller Foundation. The authors acknowledge all those who gave generously of their time on these projects.

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