Geographies of Temporary Staffing Unit

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Flexibility in action: the temporary staffing industry and labour market restructuring in the Czech Republic and Poland

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Abstract:

Since the 1990s the largest transnational temporary staffing agencies have progressively expanded the geographical extent of their operations. Moving beyond the established Dutch, French, UK and US markets in which the majority are headquartered, and encouraged by supportive supra-national and national re-regulation, they have entered a wide range of countries in South East Asia, Southern Europe and Latin America. Moreover, in the run-up to, and since, the accession of ten new member states to the EU on 1st May 2004, the leading transnational agencies have turned their attentions to establishing and expanding operations in Central and Eastern Europe. This paper offers an initial assessment of the state of temporary staffing and its regulation in two leading markets in the region, the Czech Republic and Poland. It explores how temporary staffing markets are being forged through the interactions between regulators, transnational agencies, local agencies, trade bodies and inward investors. Both countries legalized temporary staffing in 2004, having begun the legalization process prior to accession. Rather than these developments heralding the start of a period of sustained growth, however, our research suggests that there are still significant constraints on expansion in markets where the pressure to neo-liberalize labour markets intersects with post-socialist expectations, norms and economic structures.

Key words: temporary staffing industry; labour market restructuring; Central and Eastern Europe; Czech Republic; Poland

> Across the globe, millions of people want flexible work. Thousands of corporations want flexible human resources. The result? A growth opportunity worth millions (ad-line taken from Adecco's home page, www.adecco.com)

1. Introduction

The globalization of the temporary staffing sector has accelerated over the last ten years. By 2004, the top 20 transnational staffing agencies were all earning annual revenues of over US$100m from outside their home markets, the top six were earning over US$1bn, and the top two – Manpower of the US and Adecco from Switzerland – over US$10bn, substantial increases on the figures from 1999 (Coe *et al*., 2005). This growth reflects a newly extensive geography of operations for these leading agencies: from their bases in the established markets of North America and Northwest Europe, they have expanded into a wide range of so-called 'emerging' markets across Latin America, East Asia and Southern Europe. Another key 'globalization arena' (Beaverstock *et al*., 1999) for the leading agencies has been Central and Eastern Europe. While in 1999, six of the top 20 transnational agencies had a presence in the region, by 2004 the figure had risen to 11 (Coe *et al*., 2005). Very little is known about the operations of these firms, and indeed the nature of temporary staffing more generally, in the markets of Central and Eastern Europe. This paper seeks to offer a preliminary analysis of developments within two important markets in the region, namely those of the Czech Republic and Poland.

Such developments are taking place against the backdrop of an increasingly conducive regulatory context. In 1997, for example, the International Labour Organisation (ILO) revoked its 1949 Convention 96 calling for all profit-making labour agencies to be banned, replacing it with Convention 181 which attests that 'temporary work agencies play a positive role in the labour market, within the right legal framework, and their activities should be encouraged' (www.ilo.org, accessed 4th January 2006). More recently, the OECD's *2004 Employment Outlook* noted the growing use of 'non-regular' employment forms and the contribution they have made to reducing unemployment and growing employment when assessing the OECD Jobs Strategy. Within the EU, debates surrounding the Lisbon Strategy and its objective of making Europe 'the most dynamic and competitive knowledge-based economy in the world' increasingly emphasize the positive contribution that staffing agencies can make towards creating a single market for services (Barrosso 2005). For example, the International Confederation of Temporary Work Businesses (CIETT) has claimed that:

> 'agency work is a key element of the services sector in all Member States, and already contributes to achieving the Lisbon objective, with currently over 7 million workers employed by the agency work industry …By eliminating obstacles to the freedom of establishment for service providers and the free movement of services between Member States, as well as reviewing all existing restrictions on agency work, the contribution of the agency work sector could be further increased to add an additional 3.5 million jobs between now and the year 2010' (2005: 2).

In addition to establishing an increasingly supportive regulatory environment for the expansion of temporary staffing within Europe, the industry and its governmental supporters have also managed to stave off a European Directive on Temporary Agency Work, which critics argue would have stifled the growth of the industry through increasing the rights of those placed through agencies.[1] Announced in 2001, and designed to be the final element in a three-pronged reform of the regulation of non-standard work in Europe (after the Part Time Work and Fixed Term Directives), this piece of legislation has fallen twice at the final hurdle, most latterly in the middle of 2005.

For the ten 2004 accession states – Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia – this wider European context means they are under pressure to adjust their economies and societies in order to allow temporary staffing to expand as part of the drive for labour market flexibility. Since the collapse of the Soviet system in the late 1980s, Central and Eastern Europe has undergone dramatic change that encompasses political, economic and social

[1] In much of the EU workers placed through a temporary staffing agency are covered by existing collective agreements. The impact of the proposed Directive would then have been negligible. However, where the Directive would have had most affect – the UK and Ireland – there was real opposition from the governments, industry trade bodies, and business groups.

life. Under the Communist system countries in Central and Eastern Europe were relatively unconnected to the rest of Europe. So while capitalist countries were experiencing the rapid internationalization of their economies, this region was economically tied to the Soviet Union, with the Council for Mutual Economic Assistance (CMEA) and the Warsaw Pact enabling region-wide control of political and economic life. Under Socialism the economy of this region could be characterized as subsidized by the state, with a high concentration of industrial activities and controlled wage structures. Since the fall of Communism, however, these economies have become more open to international capital and institutions, with an uneven flow of international investment exacerbating existing regional differences in economic wealth and growth. While 'orthodox' approaches to these changes in post-socialist states begin with the notions of centrally planned and market economies, highlighting the adjustments necessary to make the transition from the former to the latter, alternative analysis has stressed the unique and unprecedented nature of the post-socialist regimes in Central and Eastern Europe and the incorrect assumption that the region is an 'even playing field' (see for example, Bradshaw and Stenning 2004; Stark 1996; Smith, 1997; Pickles and Smith 1998).

Rather, 'transition constitutes a complex reworking of old social relations in the light of processes distinct to one of the boldest projects in contemporary history – the attempt to construct a form of capitalism on and with the ruins of the communist system' (Smith and Pickles 1998: 2). The transitions involved in *marketization*, *privatization* and *democratization* within the region are highly place specific, as these political, economic and social strategies of change develop from within nations with particular histories, problems and opportunities, leading to a *series* of geographically uneven post-socialist transitions (Stenning, 2004), with a variety of capitalisms emerging in their places (Lane 2005). Indeed, Burawoy and Verdery (1999: 2) suggest that in contrast to the notion of a fixed 'transition', 'the destructuring effects of the end of state capitalism' could be seen to produce not only conflicts but alternatives in the spaces opened up by the uncertainties and promises of post-socialism. Following this suggestion, Stenning (2003; 2005) uses the case of Nowa Huta, Poland, to examine the changing nature of work and employment relationships as the restructuring of local labour markets has led to both the pluralization of employment and the rise of unemployment. Processes of transformation in both Poland and the Czech Republic have caused, and continue to cause, challenges for workers and the organization of labour. This has resulted in debate and conflict, and has also opened up an alternative (economic) space in which the temporary staffing industry has been introduced and evolved.

In this paper we draw on fieldwork undertaken in October and November 2004 in the Czech Republic and Poland, examining attempts to establish temporary staffing industries in both countries in the context of the two nations different places in the geographically uneven emergence of capitalism.[2] The embryonic industries that are emerging are being shaped by the interactions between transnational staffing agencies, local agencies, national trade bodies and labour market regulators against a backdrop of rising inward investment and economic integration with the economies of Western Europe. Accordingly, we undertook 12 semi-structured interviews in each country, with transnational and local staffing agencies, government officials, inward investment agencies and industry trade bodies. Late 2004 proved to be a highly apposite time for this research, as the governments in both the Czech Republic and Poland legalized the industry for the first time during that year. In both instances, the new legal frameworks changed the terms and conditions under which the trans-nationals and the small, but growing, number of domestic agencies have been able to expand their business. As we shall see later, the impacts of the 2004 reforms have been mixed, suggesting that attempts to grow these markets will not be straightforward and unproblematic.

On-the-ground research of this kind was imperative given the almost total lack of secondary data on the industry in both the Czech Republic and Poland: indeed, before the 2004 legislation changes no official statistics were collected. The legal recognition of temporary staffing now places a requirement

[2] In this paper we focus on the similarities. In so doing, we do not under-estimate the importance of past and current differences between the Czech Republic and Poland. Rather, given the paucity of research in this area, we focus on the general commonalities between temporary staffing in both countries.

on firms releasing placement figures and the national trade associations are also making efforts to collect and collate information, so better data should emerge in the coming years, although if the quality of the industry data in other, more established nations is anything to go by, it might still be less than perfect (Peck and Theodore, 2002; Peck *et al.*, 2005; Ward, 2004). At the time of our research, however, even making an assessment of how many firms were active in the sector proved difficult. Estimates from our interviewees suggested that in 2002 there were approximately 80 temporary staffing agencies in Poland, and between 250 and 500 in the Czech Republic, ranging from key transnationals to single employee operations. In this context, our qualitative interviews represent one of the first attempts to explore the emergent temporary staffing industries in these countries and the roles that the leading transnational agencies are playing in those dynamics. Our analysis proceeds in two main sections. First, we explore existing work on the internationalization of business services, the temporary staffing sector, and business services in Central and Eastern Europe to provide conceptual background to our study. Here, we argue that temporary staffing is an important and rapidly internationalizing sector about which little is known, particularly in post-socialist contexts. Second, we briefly position the Czech and Polish economies and labour markets within their regional contexts before offering a preliminary analysis of temporary staffing in the Czech Republic and Poland through profiling the entry and presence of foreign transnationals, the nature and operation of the industries, and their potential for future growth.

2. Temporary staffing and the internationalization of business services in Central and Eastern Europe

Undertaking research into the temporary staffing industry of Central and Eastern Europe is necessarily a tentative and somewhat speculative endeavor given the paucity of research on both the sector and its internationalization on the one hand, and on business services and their role in economic restructuring in post-Socialist economies on the other. Within the globalization literature, the coverage of business services and their international expansion is somewhat patchy. For some sectors, such as advertising, banking/finance, law, management consultancy and computer software/services, we have for a while now had a fairly good working knowledge of globalization dynamics and their drivers (see, for example, Leslie, 1995; Jones, 2003; Beaverstock *et al.*, 1999; Moulaert, 1996; and Coe, 1997, respectively). For other sectors, such as architecture, environmental consultancy, headhunting and property services, for example, our knowledge is far sketchier (although see Knox and Taylor, 2005; Schulz, 2005; Faulconbridge *et al.*, 2005; and Wood, 2004, respectively, for recent initial forays into these industries). Temporary staffing certainly falls into this latter category, with only a handful of studies that have started exploring globalization in this sector (Ward, 2001; 2004: Peck *et al.*, 2005).

Looking across this literature as a whole, however, important advances have undoubtedly been made in our understanding of the internationalization of business services. These can be seen in several areas. First, the various *drivers* of firm internationalization have been revealed, most notably to gain economies of scale through increased sales, to spread risk across different national markets, to tap localized pools of knowledge, and to improve corporate identity through having a 'global' presence (Enderwick, 1992). Most important, however, is the significance of client-following behavior in which business service trans-nationals are initially drawn abroad by the desires of their leading clients to access their services in different markets. Second, in many sectors – such as advertising, computer services and management consulting – it is clear that processes of *diversification* have accompanied those of internationalization (Coe, 1997) as firms also strive to achieve improved economies of scope. Third, research has profiled the varying *modes of internationalization* that characterize different forms of business service activity (Vandermerwe and Chadwick, 1989). In nearly all sectors, given the client-facing nature of business service activity, foreign direct investment pursued through an acquisition, partnership/joint venture or 'greenfield' entry is by far the predominant mode (Schulz, 2005). Fourth, in terms of their *levels of concentration,* research has revealed internationalization in most business service sectors is heavily dominated in revenue terms by the activities of a small cadre of American and Western European firms (e.g. see Beaverstock *et al.*, 1999). Fifth, with respect to the *geographies* of expansion, work has demonstrated how internationalization is enacted through networks of offices across leading world cities in developed countries, with increasing connections to a range of cities in emerging markets. The precise geography will depend on the industry in question: Taylor *et al*. (2004), for example, have demonstrated the different globalization geographies that can be observed in the advertising, banking, insurance, legal and management consultancy sectors.

Drawing on recent work (e.g. Ward, 2004; Peck *et al*., 2005) we are able to offer some initial observations as to how the temporary staffing industry fits into these general patterns. On one hand, the industry shares commonalities with other business service sectors, with expansion being lead by a handful of Western European and American companies and proceeding through a mixture of acquisitions and 'greenfield' foreign direct investments. Moreover, internationalization seems centrally to be driven by a search for enhanced economies of scale in terms of the agencies central business – placing low-paid workers – as Peck *et al*. (2005: 3-4) make clear:

> 'Through their internationalization strategies, the major 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-paid workers. This is the mass-production face of the staffing industry: resembling a "Fordist" pattern of international growth, it is based on standardized products, top-line growth and scale economies.'

Internationalization also allows agencies to mitigate the risks of cyclical slumps in certain markets, to better meet the needs of transnational clients, and to assume the reputation and lobbying influence of 'global' corporations. At the same time, as Ward (2004) has shown, the leading transnational agencies are also trying to combine internationalization with diversification in a number of ways: moving up the value chain by placing more professional and highly qualified staff; broadening the range of services they offer into a wider human resources role; and developing new kinds of vendor-on-premises arrangements with clients.

On the other hand, the temporary staffing sector appears to differ from other business service sectors in certain key respects, all of which reflect the particular role of agencies as labour market *intermediaries*. Three will be mentioned here. First, seeking as they do to offer temporary workers to as much of the economy as possible, staffing agencies are acutely sensitive to different national labour market regulatory conditions, pertaining to the very legality (or not) of temporary staffing, or more likely, the different sectors and constraints within which it can take place. These national variations also mean that agencies will have to adapt their business practices to meet the needs of the local market, thereby placing limits on the extent to which they can simply 'roll-out' business models developed in their home markets. Second, due to the nature of the staffing business and the inherent need to be close to major employment centers, agencies usually need to establish national networks of offices within their key national markets, rather than simply have an office in one or two major cities. Together, these two attributes mean that the national subsidiaries of temporary staffing agencies are necessarily very highly *territorially* embedded (Hess, 2004). In this respect, there appear to be interesting parallels to retail transnational corporations which are also highly territorially embedded in nationally specific planning/property, consumption and supply systems (Wrigley *et al*., 2005).

Third, the kinds of market conditions that favor inward investment from transnational agencies give the internationalization of the sector a particular geography: 'in crude terms, the staffing industry's main markets are to be found in the low-wage segments of high-wage, *but liberalizing*, economies' (Peck *et al*., 2005: 23, emphasis in original). Staffing industry analysts use two simple ratios measures to assess market potential: a country's share of world GDP against its share of global staffing industry activity, and the number of placements by staffing agencies against the overall size of the contingent or non-standard workforce. Together, these measures suggest strong growth in recently deregulated, large economies where there is currently limited penetration by staffing agencies, such as Germany and Japan, for example. These markets may also provide the opportunity for oligopolistic growth in a way that is not possible in long-standing, highly competitive markets such as the US and

UK (see Peck *et al.*, 2005, for more). The temporary staffing industry, therefore, may exhibit a slightly different range of 'emerging' markets than other business services. These indices would also seem to suggest strong potential for growth in Central and Eastern Europe. As we shall see, however, the particular nature of the post-socialist transition in those countries may mean that growth lags behind what analysts might predict.

The rather sparse literature on the internationalization of temporary staffing is mirrored by an equally thin body of research on business services in the economies of Central and Eastern Europe. In part, this lacuna reflects the particular economic structures inherited as the socialist regimes collapsed in the late 1980s and early 1990s. As Stare (2002: 81) explains:

> 'In the past, the service sector was systematically neglected… Manufacturing dominated all economic policy considerations, as well as investment. The market for business services was almost non-existent and the bulk of business services were provided in-house by large manufacturing firms. Low quality, poor range of services and lack of innovation were the consequences. Weak competition in domestic markets … did not stimulate the learning process and the development of specific knowledge and skills …Additionally, regulation of service sectors was often restrictive … resulting in oligopolistic market structures'.

More recently, in many Central and Eastern European countries, the service sector has been growing more quickly than manufacturing. Business service growth, in particular, has been significant, with the value-added from such activities doubling in Poland during the 1990s, and increasing by 30-50 percent, depending on the activity, in the Czech Republic (Baláž, 2004). This growth has been prompted by three important factors: the adjustment of industrial sectors to recession and intensified competition creating demand for specialist services; market-oriented reforms promoting the establishment of independent, private firms; and the dissolution of large industrial conglomerates and the concomitant externalization of service provision (Stare, 2001). In many countries, inward investment in business service sectors from the mid-1990s onwards has given growth a renewed impetus. Despite this expansion over the past decade, however, the business services sectors of Central and Eastern European economies still lag significantly behind those of Western Europe, not only in terms of value added and employment levels, but also in terms of the low efficiency and quality of the services produced, and the level of competition within markets. Service sector value added remains dominated by traditional services such as transport, hotels and restaurants, with the contribution of financial and business services lagging far behind Western European levels (Stare, 2003).

As in other regions, these deficiencies have prompted debates about the wider impacts of lagging business services growth. Kostecki and Fehervary (1996), for example, argued that business services provide a key force for restructuring in transition economies and are a crucial element of the successful implementation of market-oriented reforms (see also Michalak, 1999). In short, the unavailability of locally produced business services is thought to be a factor that can severely hamper economic growth in the local economy in a number of ways (Martinelli, 1991). First, countries do not gain the direct employment benefits of business service employment, which is generally well-paid and may generate consumption-spending multiplier effects. Second, the local economy is deprived of the potential contribution to the economic base of business service exports. Third, the presence of a local supply is important for local small and medium sized enterprises which may lack the expertise and capital to use relatively distant sources of business service support and hence look to purchase them locally. Fourth, some have advanced the argument that, like for like, better quality services are produced in areas with high levels of competition and a sophisticated client base and hence are more likely to be exportable (e.g. Wood, 2002).

Against this general backdrop, several themes are discernible in the limited work that has been conducted on business services in Central and Eastern Europe. First, drawing on the work of Stare (1999) on producer services in Slovenia, it is possible to identify the availability of skilled workers, low uptake of new information and communication technologies, and low levels of local competition as the chief constraints on business service growth in post-socialist economies. Second, from this same body of work (Stare, 2001), it can also be argued that foreign direct investment in business services – with its potential for 'spillover' effects and knowledge transfers to the local economy – is perhaps the only real way to provide a significant boost to the business service sectors of such economies. As Nagy (2005: 235) argues:

> 'By employing and training local staff, TNCs play a significant role in developing and implementing international corporate strategies and developing advanced producer services in a transitioning economy'.

Third, there is emerging evidence of the internationalization of business services from the countries of Central and Eastern Europe, for example Hungary and the Czech Republic, although this kind of activity is still at a low level and largely restricted to exchanges between proximate countries (Stare, 2002). Fourth, work in Hungary has demonstrated how the emergence of business services activities is leading to a similar pattern of uneven regional development to that found in North America and Western Europe, with Budapest dominating across a wide range of sectors (Nagy, 2005). Finally, through work such as that of Gritsai (2003, 2004) on business services in Moscow we can start to see how individual cities in the region are articulated into wider world city networks by transnational service firms. There is literally no research, however, in this emerging literature, on the temporary staffing industry in the post-socialist economies in Central and Eastern Europe. By contrast, there is a growing body of work on the more mature staffing industries of the US (Henson 1996; Theodore and Peck, 2002), UK (Ward, 2003), Canada (Vosko, 2000) and Japan (Shozugawa, 2001), among others.[3]

Bringing the insights of these various embryonic literatures together, however, does at least provide a starting place for an analysis of temporary staffing in Poland and the Czech Republic. In a context of ongoing deregulation at the national and European levels and an ongoing global search for profitable

[3] There is a voluminous literature on other aspects of temping in a number of different countries. Most of this deals with one more of the following issues: the management of temporary staffing agency workers; the experiences of being a temporary staffing agency worker and; the number of temporary staffing agency workers and in which industries they are placed/work and in relation to other 'non-standard' or 'atypical' workforces. Most of this research is produced by industrial relations, management or sociology scholars, and does not get to grips conceptually or empirically with the agencies themselves.

investment opportunities, the leading transnational agencies will clearly be significant agents for change in these emerging markets. The influence they wield goes well beyond the numbers of workers they place:

> '[T]he significance of the temp industry … relates to that much wider field of employment relations where temping is a viable option and where it therefore exerts an influence over the strategic choices and constraints of employers and workers' (Peck and Theodore, 2002: 156).

And yet, as we have seen, the activities of transnational agencies are heavily territorially embedded in the various national markets in which they invest. As Peck *et al.* (2005: 23) relate:

> '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 co-evolving 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 interaction between transnational agencies and national regulatory systems needs to be seen as a contingent and context-specific dynamic. Our conceptualization of temporary staffing in Poland and the Czech Republic is therefore one in which 'market making' (Theodore and Peck, 2002) is mutually shaped by a variety of actors, rather than purely by the global networks of the agencies, or the specificities of national markets. As such, our approach is in line with a global production network approach that seeks to explore the (often gradual) *mutual transformation* of both the firms and the places in which they are embedded (Henderson *et al*., 2002).

3. Temporary staffing internationalization ‘on the ground’ in the Czech Republic and Poland

3.1 The ‘regional’ context

In 2000 the European Council launched the Lisbon Agenda, a strategy aimed at improving the competitiveness of Europe and consisting of a number of economic and social objectives. Despite remaining the backdrop against which all subsequent policy reform in these areas have been considered, the Lisbon Agenda has itself been subject to regular appraisal and reviews. In particular, the relationship between its core objectives of producing economic growth and creating jobs and those of others being pursued by the European Union, such as exclusion, sustainability, and work-life balance has been the subject of widespread policy and political debate. Nevertheless nothing has been said or written that detracts from the apparent belief amongst policy-makers and politicians of differing political stripes, that ‘the promotion of growth and employment in Europe is the next great European project’ (High Level Group on the Lisbon Strategy 2004: 4). In 2005, five years after the initial launch of the Lisbon Agenda, and a year after the enlargement of the European Union, the then President, President Barrosso, sought to re-focus efforts through re-launching the Agenda. He proclaimed that:

> ‘We need a dynamic economy to fuel our wider social and environmental ambitions. This is why the renewed Lisbon Strategy focuses on growth and jobs. In order to do this we must ensure that: Europe is a more attractive place to invest and work; Knowledge and innovation are the beating heart of European growth and; we shape the policies allowing our businesses to create more and better jobs (2005: 4)’

Re-iterating the importance of the original Lisbon Agenda, President Barrosso, sought also to re-new efforts and to focus the minds of the 25 member states through outlining a series of actions – what he called a Lisbon Action Programme. For the ten new member states, this document probably confirmed what they already knew when they joined the European Union on the 1 May 2004. To gain accession each member state had both to meet certain economic, political and social criteria, while also signing up to a vision of the European Union, both in terms of its internal organization and governance and its relationship with other regions, and trading blocs. In re-emphasizing the importance of growth and jobs in the future of individual member states and of the European economy as a whole, the report '*Working together for growth and jobs: A new start for the Lisbon Agenda*' (2005: 10) placed the onus on nations to change how they regulated their labour markets:

> 'Member states and social partners must improve the adaptability of the workforce and of businesses as well as the flexibility of labour markets to help Europe adjust to restructuring and market changes'

Of course, what this means in practice has differed from one accession state to another. When each joined the EU there were significant disparities, both in terms of each country's own particular economic and social histories, and perhaps more importantly in the context of the Lisbon Agenda, in terms of country size, transition trajectories and position within global markets and networks. As Table 1 reveals, and providing empirical confirmation of the wider conceptual point about the differences amongst communist and socialist regimes (Stenning 2004), there is a great deal of variety amongst the newest European members.

[Table 1 here]

As well as the differences, however, there are also some noticeably similarities amongst the accession states. Across Central and Eastern Europe unemployment rates remain relatively high, despite evidence of economic recoveries and reasonable rates of economic growth. Since the fall of Communism there have been profound changes to other characteristics of employment such as its composition by status, type of contract and length of working time (Eurostat 2003). There has been a very general liberalising of labour market regulation – necessary for accession to the EU – although the particular experiences of how this has been achieved, and to what ends, does differ considerably from one country to another. This paper focuses on the Czech Republic and Poland, two countries that on the basis of Table 1 appears to be the most economically successful post-socialist states. Both countries have witnessed a rapid growth in self-employment, the privatisation of state enterprises (and therefore increases in FDI as foreign firms invest through their purchase) and increasingly flexible forms of employment. Table 2 outlines key economic and labour market data for the Czech Republic and Poland, and shows the number of workers employed under 'contracts of limited duration' which includes a range of forms of formal and informal employment (such as seasonal work), in addition to temporary staffing.

[Table 2 here]

Until very recently, data for the numbers of temporary staff placed by agencies were not available, in part due to the illegal status of this form of work, and also reflecting the more general trend of poor data collection of the industry, even in the more well-established markets. In 2004 the governments of both the Czech Republic and Poland (on 1st October and 1st January respectively), introduced their first legislation on temporary staffing. The impetus in both countries was twofold: impending accession to the EU and recognition of the rapid growth of the industry in both countries, in tandem with a belief in the role temporary staffing might play in delivering future economic growth (see Table 3). In response to this legitimization of the temporary staffing industry, some data on the Polish market is now available. CIETT (2006) estimates that in 2004 there were 138 agencies (a significant increase on our own estimate of around 80 in 2002) employing 31,060 workers. This represents a penetration rate (agency workers as a percentage of total workforce) of 0.4%. CIETT also estimated the Polish temporary staffing industry in 2004 to be worth around €166 million ($226 million). Unfortunately comparable figures are not available for the Czech Republic staffing market.

[Table 3 here]

So, temporary staffing agencies have a growing institutional presence in both the Czech and Polish labour markets – current data has 9% of the Czech workforce and 25% of the Polish workforce on 'temporary contracts' (Eurostat 2005), of which it appears a growing share are placed through a temporary staffing agency. Indeed, the Polish agency worker penetration rate of 0.4% is relatively high when compared to 'older' markets such as Italy (where legalization occurred in 1997) with a rate of 0.63% (CIETT, 2006). Not only is the business of temporary staffing now legal in both countries, but perhaps more importantly, they are cast through the directive and programmes of the European Union as means through which both the Czech Republic and Poland can make good on doing their bit for the realizing of the Lisbon Agenda. This combination of corporate and institutional power is important for understanding the particular trajectories of each nation's industry, and it is to this issue that we now turn.

3.2 Internationalizing temporary staffing: ideal-types of market entry

We start our analysis by considering the operations of the leading transnational temporary staffing agencies. Table 4 profiles the timing and mode of entry into the markets of the Czech Republic and Poland by some of the largest temporary staffing agencies. Of the largest and most international agencies, Adecco, Manpower, Hays Personnel, Hudson Highland, and Vedior are in both countries, Robert Half International Inc. is only in the Czech Republic and the MPS Group, Randstad Holding NV and Solvus Resource Group are only in Poland (Coe *et al.*, 2005). As Table 4 reveals, the entry of the agencies into the two markets reflects how the precise mix of greenfield and acquisition activity has changed over time. Although there are differences between the two countries, Table 4 shows that in both the Czech Republic and Poland initial greenfield entry has given way to acquisition as the preferred choice. And there are also differences in how acquisitions are made. International agencies with centralized structures are more likely to buy 100% of firms and to re-brand them; those who have a less centralized, more devolved structure are more likely to leave the brand as it is, and to ensure local management have a share in the new venture. Table 4 also reveals differences in the timing of entry by internationalizing staffing agencies. While the Czech Republic was initially the preferred market for agencies, the last two years have seen an increase in the number entering Poland through merger and acquisition. On the basis of these differences it is possible to think about four different *ideal-types* of market entry.

- *Anticipatory greenfield* represents early entry into emerging markets, typified by Adia's arrival in the Czech Republic and Poland – in 1992 and 1994 respectively – just a few years after the fall of Communism and during the early stages foreign investment into the country. This can be understood as an attempt to enter the market early in order to shape its development and capture early market share ahead of competitor entry, a strategy used by the largest agencies in other countries (Peck *et. al*. 2005). At the time of entry, the temporary staffing markets were under-developed and temporary staffing was not legally recognized. Greenfield market entry at this stage was based upon the expectation of imminent growth in the market, and in many respects could be seen as highly risky, particularly as political institutions were relatively unstable and where there was no prior experience of using temporary staffing agencies.

- *Responsive greenfield* describes market entry which occurred shortly after, and latterly alongside, anticipatory greenfield entry. The competitors of foreign firms already present in the market saw the potential rewards of entering the market and followed. Already, the market was stabilized and there were more temporary staffing agencies in operation, in part due to an increase in domestic firm set-up and their adoption of observed foreign methods. In the context of post-socialist countries, there was been sufficient political, economic and social change to reduce the risk of investment by agencies. As a result there were increased amounts of foreign investment (both in levels of finance and industrial scope), and there were more potential customers in the form of multinational firms. Indeed, many of these responsive greenfield firms followed existing clients into the market. Examples include Allbecon, a German staffing agency which entered Poland in 2000, Michael Page which entered Poland in 2005, and Hays which entered the Czech Republic in 1992.

- *Anticipatory acquisition* describes early entry into emerging markets through researching and making enquiries about acquiring the at-the-time relatively small number of domestic firms. This can be seen as an attempt to enter the market early in order to shape its development and capture early market share ahead of competitor entry, a strategy used by the largest agencies in other countries (Peck *et. al*. 2005). At the time of entry, the temporary staffing markets were under-developed and temporary staffing was not legally recognized. Acquisition market entry at this stage involved working in a largely unfriendly environment, with little known about the industry, a very small number of agencies working at the margins of the formal economy, with little information available in non-domestic languages and where cultures and working practices are unfamiliar. Vedior's acquisition of the Czech firm AYS is an example of this type of entry.

- *Responsive acquisition* entry sees foreign firms researching the new market and making enquiries about acquiring domestic firms. As the market has grown in size over time, many domestic firms have secured a good reputations and national office networks. The foreign firm tries to find a suitable organizational and cultural fit with the potential acquisition target. This method of entry tends to take place alongside the responsive greenfield mode. However, there are distinct differences in the types of firms that choose these methods. The responsive greenfield method is preferred by firms which are organizationally centralized and have standardized packages and procedures that can be 'rolled out' in new territories (e.g. Adecco, Manpower). Randstad acquired the Polish firm Intersource in this way. In contrast, transnational agencies firms that are decentralized tend to prefer to enter through responsive acquisition. They seek to purchase existing resources, methods and talent in a particular market.

Our research in the Czech Republic and Poland revealed the differences between the two markets in terms of their maturity. The Czech Republic evolved first but it is the Polish market that has seen the most merger and activity involving the international agencies in recent years. This is due largely to the sheer size of the Polish market, where it is more difficult than in the Czech Republic to establish a country-wide network of offices. Firms entering the market are thus prone to purchase a large domestic firm and its existing network. The steady flow of foreign direct investment into both markets, particularly the Czech Republic, has shaped the how, when and in what ways the markets have evolved. In summary, the different ways of entering the two markets reflect the interaction of the particular economic and political trajectories of each nation with the particular corporate strategies of the largest agencies, changing regulatory conditions and the emergence and expansion of domestic agencies.

3.3 Temporary staffing agencies and the place of the Czech Republic and Poland in the wider distribution of corporate power

As multi-national agencies have entered the Czech and Polish markets so it has been possible to detect differences in the place of domestic offices in wider networks of corporate power. Just recently, a large multi-national agency bought a Warsaw-based Polish firm with a national branch network. According to the owner and manager of the agency bought out by the multi-national, the day to day activities had remained largely unchanged. As he put it:

> This is quite unusual … within this kind of corporation, to give this kind of freedom. In other companies in this sector, there are none like this. The others immediately change everything, maybe not the personnel, which isn't the first step because you still need somebody to run the company, but for sure those two companies acquired by [another one of the largest six multi-nationals] they will change their names at the beginning of next year. There are already some personnel changes shall we say, not reductions because they nobody will say that, but there are some changes. And this is something that I don't like. Imposing things which are simply copied from other countries, but that will not necessarily help. With [the multi-national that bought this agency] they changed nothing … Of course, there are some rules to be followed, like general codes of practice and so on, but these are things that are quite usual for me. They never asked me to fire anybody, they never asked me to employ anybody, they never told me where I should go (Temporary Staffing Agency 5, Poland, October 2004)

According to this owner/manager in order to have this relationship with the companies it buys the multi-national does an awful lot of work prior to acquisition:

> I know that [name of the Emerging markets specialist] visited a lot of companies in Poland before we started to talk. For different reasons they did not pick another company. And it took us quite a long time. But I also think that their acquiring process has this long time plan, as they want to get to know us and to see how we really are (Temporary Staffing Agency 5, Poland, October 2004)

This belief in the importance of buying market-share and buying 'local' expertise was confirmed in a later interview with the manager of the multi-national who was involved in these negotiations:

> Because as we realised, even lets say in Poland, the language is completely different, the thinking is different, the legislation is rather complicated and to get into the market is very, very difficult if you don't have local connections. So the strategy we have in this context is to acquire local companies that are already established in the market and we don't have to work and start from scratch. If you have to work from scratch, can you trust the people? How is the business going to develop? It is rather difficult actually. How we have a proven record usually because through an acquisition you have quite a process with the interviews, with the talking, with the negotiations. Then you go through diligence, and all these issues. So we are quite sure that we have made the right choice (Emerging markets specialist, Multi-national, Poland, October 2004)

However, leaving 'local' owners/managers a high-degree of autonomy often raised the issue of how to 'brand' the agency that had been bought. On the one hand the results were believed to be better when you left local managers to do their business with minimum interference from corporate headquarters, of establishing a federal structure. On the other hand, however, this strategy did not do much for the presence of the multi-national in its newest markets. As the specialist explained, aware of the apparent contradiction in this particular growth strategy:

> It has advantages and disadvantages. I would say that if you leave a certain freedom to the people they are more willing to get up and do something. On the other hand, if you look a the global presence…we feel that our name is very badly represented and I think that is part of the topic of study…how can we increase the acceptability and awareness of our branding, especially in countries where we operate with a local brand. From a results point of view, our system is obviously a good

> one. We produce good results, and that is all that counts in the end (Emerging markets specialist, Multi-national, Poland, October 2004)

In addition to differences in the autonomy afforded to 'local' managers and to the ways in which the purchased agencies were branded, we also found differences in purchasing policies. In some cases domestic firms were bought out completely, while in others the multi-national only bought a part share:

> So we have to work on that autonomy or otherwise, if you had a centralised organisation it wouldn't work. Impossible. We believe in these people. When we make an acquisition, we never take a 100% of the company, usually going for between 51 and 55%, the 51% we need to have the majority…the controlling say. Our stock exchange company…. for consolidation purposes, we need the control over the company. The remaining percentage goes into an option, in which we buy back the remaining shares over a certain period to time. Usually the first cut is made after three years, and four years again. It is calculated on the EBIT [Earnings Before Profit and Tax], so the better the EBIT the better the price of the remaining shares. So it is in the interest of the minority shareholders to have as good a result as possible because the value of the share increases and they get more money for them (Emerging markets specialist, Multi-national, Poland, October 2004)

It is perhaps not surprising that we found these examples of the differences in the degree of corporate power open to, and exercised by, the Czech and Polish branches of multi-national agencies. They speak to the different ways in which multi-national organize their business networks, and the constitution and exercising of power across them. And no one model is without its limits, as those involved in them in the Czech Republic and Poland were often aware. Nor are the ways in which multi-nationals expand set in stone. This is perhaps best exemplified by Manpower, one of the largest temporary staffing agencies – and one of the oldest – which has moved away from its franchise-led model of geographical expansion and growth. The decision by Manpower corporate headquarters has been a slow and expensive one to enact, as they have set about buying out franchisees. In other cases the largest multi-nationals have pursued different branding strategies internationally, perhaps not as distinct as the franchisee one, but nevertheless revealing of the range of ways in which there remains a diversity of approaches even, and perhaps because of, the internationalization of businesses.

3.4 Making markets: interactions between firms, states and institutions

As if to reinforce the importance of understanding the emergence of national regulation as an outcome of the interactions between firms, states and institutions, those inside of the fledgling temporary staffing industries in the Czech Republic and Poland saw themselves, for the most part, as situated in the middle of deep-rooted changes in the employment framework, which were emblematic of wider issues in the two societies. Ignoring other forms of flexibility that have emerged in post-Socialist states (Smith and Stenning 2006), and the ways more generally households have adapted to the changing economic and social context in which they have found themselves, the managers saw themselves as at the leading edge of a much broader and deeper social transition, in a manner akin to how Western European and US agencies talked about themselves as 'agents of the new economy' (Theodore and Peck 2002; Ward 2006). Often the way in which the owners and/or managers described their role was in terms of changing deeply in-grained views on the world of work:

> I was very much involved in the legislation process. We were meeting with unions, with employers organisations, with the government, and the Ministry of Labour … We were present in the parliament … All I can tell is that there is absolutely no awareness about … about the real need and the benefit for the country and for the people and for the economy that the proper legal framework relating to temp law can bring (Temporary Staffing Agency 7, Poland, October 2004)

There was strong belief in the necessity of reform and of the role that agencies – and the business they would do -- could play in turning around the economies of this region of the world. If only the 'right' employment and labour framework could be put in place. In the short-term, however, the agencies were not successful in getting the legislation they wanted:

> When we, and the federation [ZAPT], tried to influence them, or tried to show the absurdities of certain solutions, they do not listen. So this Act is in the frames of old Polish labour code. Which means that it is totally … [in]appropriate. There is no way that the old labour code works with new times, with the modern requirements of the companies, and also of the workers. They also have different needs right now than in the 1970s, especially now that we have a new political system here. It is different ... So the people from the Ministry of Labour – don't tell them that – these people were working for the Ministry of Labour for thirty years, never looked for any job themselves, never were involved in the market economy and they were the ones who had a say, quite an important say, in this Act. The other ones were from unions. Trade unions of course were against. Labour organisations didn't want to fight with the trade unions because they have other important issues to solve. So, more or less they didn't take any vote on it. In the end we suggested 28 amendments to the project and probably 2 not very important ones were accepted. The rest was really refused. I hope that now that we have more experience, and the agencies have the knowledge now, how much it is costing, how absurd it is… (Temporary Staffing Agency 5, Poland, October 2004)

In the Czech Republic there was also a sense that the introduction of legislation had heralded a change in the relationship between temporary staffing and the wider employment system. While acknowledging that legislation *per se* was conducive to the expansion of the industry, a representative of the Association of Providers of Personnel Services (APSS), the Czech Republic industry trade body, argued that the pace at which it had been introduced had been overly disruptive, disturbing existing arrangements and risking stopping the industry's growth before it had really got started:

> It was like a really shock… This is really…for many companies this is too expensive, too many rules, too many contracts. Nobody gave us time. Mostly for the clients, because clients it is expensive. I would expect it step by step (Representative, Association of Providers of Personnel Services, Czech Republic, November 2004)

In both the Czech Republic and Poland agency owners and managers claimed to represent the future, a new way of matching labour supply and demand, responding to a 'need' that already existed. Claiming authority on labour issues, those inside the two industries set themselves apart from others involved in the making of labour market regulation. In contrast to how they talked about government officials and worker unions – relics of the past – agency owners and managers talked about themselves as purveyors of a new and more flexible form of labour market *re-regulation*. This legislation, while not of the form agencies in each country wanted, nevertheless raised the industry's profile in both the Czech Republic and Poland (and internationally), and it was hoped would allow firms and workers to distinguish between 'good' and 'bad' agencies:

> The most important part is that in the past there was no regulation. But from the beginning of this year, there is regulation so this has had some influence on the potential customers (Representative, Polish Union of Agencies Temporary Work (ZAPT), Poland, October 2004)

> For us, now it is good that the law says how the business should be done and everyone should follow the rules. Because before that there was space for a 'creativeness' and sometimes it was hard to compete (Temporary Staffing Agency 1, Czech Republic, October 2004)

While acknowledging the returns to the regulation, agencies were also aware that they faced a tough time convincing potential firm and worker clients of their virtues of their business. Often explained away or dismissed as a hangover from the old Socialist era of full employment, nevertheless, the agencies were clear that they had their work cut out to grow the markets for their products. This was most clearly expressed in Poland, where barriers to growth ran deep and would not be easily overcome. The expansion would necessarily be slow, and would be uneven geographically and occupationally:

> We face difficulties with the customers who do not, or do not want to understand the advantages of temping, and the candidates, don't want to work on a temporary basis (Temporary Staffing Agency 4, Poland)

> We have to create a positive view of temping because most of the people think that we are … we are not clean, we are dirty somehow. The second thing, and this is really history, we are used to having perm contracts. They still prefer perm contracts to temp contracts. They prefer to go and earn less for perm than more for temp. You have to build up the view of temping (Temporary Staffing Agency 5, Poland)

And it is not just the workers who are being placed and the client customers that need educating: Those placing the workers were also going to have to do things differently:

> These people who were living 20, 30 years through under communism, they still are a bit afraid, even after 15 years. It is a bit difficult, especially in our market when things happen on a day-to-day basis and decisions have to be made. Can I offer this price? They know what we expect, if we want 22%, 23% but they can get business at 21%, they don't have to ask me because they can make the calculation themselves and see the impact they have. But they worry that I'll shout at them and are scared. That attitude still exists. Before you were always told what to do (Temporary Staffing Agency 4, Poland)

The recent legal recognition of the temporary staffing industry in the Czech Republic and Poland and the first regulatory efforts were the results of a complex interaction of different actors. While not the outcomes the agencies in each country wanted, nevertheless the reforms do mark another important milestone in the global evolution of temporary staffing.

3.5 Creating and enhancing 'value' in temporary staffing: examples from the Czech Republic and Poland

Our evidence suggests that the bulk of the business done by temporary staffing agencies in the Czech Republic and Poland is performed placing workers on a temporary basis reflecting the relatively under-developed state of the markets:

> Right now it is 70:30, something like that, in favor of white collar. We specialize in call centers, which is 50% of our activities right now. 25% would be blue collar; the other 25% would be other administration not related to call centers (Temporary Staffing Agency 5, Poland, October 2004)

> Our company provides four types of services: one is temporary help, one is recruitment for permanent positions, we have special services for call centers, teleresources and we provide educational and training programmes for our clients. As a percentage of income, 80% is the temporary help (Temporary Staffing Agency 1, Czech Republic, October 2004)

These early findings mirror longer-term trends in other, more mature markets, particularly the UK (Ward 2003) and the US (Theodore and Peck 2002). In these the bulk of the business continues to be done through the placement of workers on a temporary basis day in day out. Large scale 'volume' contracts have seen some growth, but in many cases, remain an unattractive option for agencies.

Accompanying the expansion in the two industries has been an increase in competition and an associated pressure on margins. In this interview the manager hints that the Polish market is already not what it once was in terms of margins, despite its relative immaturity:

> But at that time, it was the only company, or one of the two. The margins were 70% so it was a really beautiful time. Now the margins are so low that you have to sell tonnes of hours to have some profits (Temporary Staffing Agency 5, Poland, October 2004)

It is clearly still early days in the temporary staffing industries and markets of the Czech Republic and Poland. Despite their relatively immaturity, there were one or two owners and managers who were able to think beyond their immediate business imperatives and legal conditions and reflect on how they might develop their business:

> So I think the most important part for us over the next few year is the speciality business. We have some ideas how to do that. Of course, in five years in this export of personnel. I think that now we have a chance to make some business on that, but in the future it will decrease and maybe stabilize at a certain level. But certainly lower that what can be achieved next year, for instance (Temporary Staffing Agency 5, Poland, October 2004)

If the other geographical markets for temporary staffing are anything to go by, the movement into new lower-volume and higher-margin segments will not happen overnight and will only be possible for a very small proportion of the industry (Peck *et al.*, 2005; Theodore and, Peck 2002; Ward, 2003, 2004). In addition, this movement is highly dependent upon broader processes of economic development which determine the nature and type of industrial activities in Poland and the Czech Republic. Of course, each country's changing industrial mix will not be unaffected by the expansion of temporary staffing. Companies looking to expand into or relocate within Central and Eastern Europe may well be attracted to countries with an established means of delivering labour market flexibility.

4. Conclusion

At its 2000 Annual Meeting in Prague the International Monetary Fund (IMF) warned the countries of Central and Eastern Europe against slowing down their labour market reforms. Flexible restructuring, so the countries of this region were told, was necessary to avoid high unemployment rates and pressure on government budgets. Cazes and Nesporova (2003) find that most countries in this part of the world have taken on board the advice of the IMF. Of course, they had few alternatives. Together with the World Bank and other supranational economic and social institutions, the IMF has had a major say over the types of economic development that are deemed acceptable. It is perhaps no surprise then that the last fifteen years has seen an across-the-board 'flexibilizing' of the labour markets of Central and Eastern Europe. As part of the transition to one variety of capitalism or another (Lane 2005) there has been a general reworking of the logic underpinning the regulation of labour markets. While many of the organizing principles of pre-'velvet revolution' labour market regulation remain in place in the legal system and are still embedded in the make-up of the relationship between workers and work, and are likely to remain so for some time, nevertheless, it is possible to discern change. A *qualitative* shift in the basis on which labour markets are regulated, which although not inevitable, and not necessarily leading to a single capitalist end-state, does speak to the ways in which Central and Eastern European governments are having to respond to the demands of western multinationals, to the lobbying of western European leaders, to the campaigns of their own domestic firms, and to the directives of the IMF and the World Bank, as well as the consequences of domestic politicking.

In terms of the role temporary staffing agencies might play in delivering labour market flexibility, it is necessary that 'reform' be of a particular kind. The 'wrong' type of *re-regulation* could threaten their very business. In a recent OECD report the following was argued

> In order to reduce the risk and costs associated with hiring workers, some of the most restrictive elements of Poland's Labour Code need to be further relaxed. In terms of rigidities associated with

> layoffs, Polish legislation is among the most restrictive in the OECD. In particular, *administrative* procedures associated with layoffs, for "economic reasons" should be made less burdensome. These rules require firms to provide unions with advance notice informing them of the scope and reasons for intended layoffs; detailed plans regarding the future level and structure of employment as well as reports on the economic and financial situation of the firm. They also require enterprises to enter into consultations with trade unions, discuss with them union-proposed alternatives and negotiate with them the sequencing and criteria for selecting the workers to be laid off … In the context of the ongoing recovery, a substantial relaxation of such rules is unlikely to provoke more layoffs. Rather it may help promote hiring by reducing the implicit liability represented by the possibility of having to lay off a newly hired worker in the future (Burns and Kowalski 2004: 27)

While this might sound like good news to temporary staffing agencies, for they publicly proclaim to want governments to relax the regulation of labour markets, it might not be. Agencies want markets in which labour markets are rigid enough to make their business appear attractive to corporate clients, but not too relaxed to eat away at the ability of agencies to create and to capture value. What is needed is an injection of uncertainty into labour markets. Within the US, Theodore and Peck (2002: 498) found that the geography of temporary staffing expansion revealed a paradox: that agencies expanded their business quickest in the context of ‘flexible’ and low-unionized labour markets and in those in which the costs of hiring and firing workers made temping an attractive option, flexibility and rigidity in a particular combination. They found that the US temporary staffing has done best in the context of ‘the distinctive dynamics of competition in Sunbelt markets’, where ‘the TSI had the benefit of *growing with* the Sunbelt economies.’ International studies of the temporary staffing industry appear tentatively to confirm this US finding (Robinson 1999; Peck and Theodore 2002), although the precise mix of ‘rigid’ national labour markets and ‘flexible’ urban labour markets (Theodore and Peck 2002) is very much nation-specific (Ward 2003, 2005). In the case of the Czech Republic and Poland, the absence of any temporary staffing industry to speak off before the 2000s means that future economic growth is likely to occur in tandem with the expansion of the industry. There are clearly some parallels with the co-evolution witnessed in the US Sunbelt economies. Of course, any future expansion in the Czech Republic and Poland will tale place in the context of an economic and social system in which the imprint of socialism remains apparent. In some ways, then, these markets offer real growth potential – closeness to the established temporary staffing markets of Western Europe, rising FDI from existing industrialized economies, a growing multi-national presence and a generally supportive national labour market context. On the other hand, real barriers to further expansion exist and, in particular, the capacity of the agencies to move-up the value chain is likely to remain limited.

What our research reveals is that expansion in these two most 'developed' markets in the region is likely to be slower than the CEOs of the Western European and North American multinationals would hope. Over a decade ago the OECD (1992: 239, emphasis added), when writing about the state of the labour markets in Central and Eastern Europe, argued:

> The task facing policy-makers is … to improve the functioning of labour markets and to establish a specialized set of institutions acting *with the market* rather than against it

The reforms of 2004 in the Czech Republic and Poland reveal that as of yet the agencies have not quite got the employment framework that they would wish. Future growth is still possible, and probable, but the rates of expansion that some in the industry foresaw as part and parcel of accelerated economic liberalization post 2004 accession remain someway off. The experiences of the multi-national and domestic agencies in both countries reaffirms how the development of this sector is informed by the complex interaction of firms, states and institutions at and across a range of geographical scales. Multi-national and domestic corporate actors, supra-national policy-makers, national and regional economic development officials, national politicians: all have been involved in structuring the conditions under which agencies find themselves doing their business. And, the global map of value generation in the temporary staffing industry is likely to remain largely unaltered – at least in the short to medium term – by the expansion into Central and Eastern Europe of the largest agencies. The Czech and Polish markets are likely to remain dominated by high volume, low margin temporary staffing business. Value enhancement and capture is likely to continue to be realized within the most established markets. In light of this context it is perhaps not surprising that, as in other business service industries, the globalization of temporary staffing remains a geographically uneven process.

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Table 1: Population size and economy in the 8 new accession countries

Country	Population 2005 (m)	GDP 1998 ($bn)	GDP 2002 ($bn)	GDP 2005 ($bn)	GDP per capita 2005 ($)
Czech Republic	10.22	57.0	69.5	125.71	19,475
Estonia	1.35	5.2	6.5	12.3	16,461
Hungary	10.1	47.0	64.9	107.1	16,627
Latvia	2.31	6.1	8.4	15.4	12,886
Lithuania	3.43	10.9	14.1	23.7	14,198
Poland	38.17	158.5	191.3	312.3	13,275
Slovakia	5.39	22.0	24.2	50.3	16,110
Slovenia	2.00	19.6	22.0	35.1	21,695

Source: IMF (www.imf.org).

Table 2: Economy and Labour Market Statistics for Czech Republic and Poland in 2000 and 2005.

Statistics	Czech Republic		Poland	
	2000	2005	2000	2005
GDP per capita ($)	13,807	19,457	9,874	13,275
Inflow of FDI ($ m)	4,986	4,463 (2004)	9,343	6,159 (2004)
FDI as % of GDP	n/a	4.2	n/a	2.6
Unemployment (%)	8.9	8.0	16.1	17.8
Labour cost ($ per hour)	1.99	n/a	2.42	n/a
Part-time employment (%)	5.4	4.8	10.6	10.6
Contract of limited duration ('000s)	323	346	607	2,649

Source: IMF (www.imf.org); OECD (www.oecd.org)

Table 3: Re-regulation of the Czech Republic and the Polish temporary staffing industry

Country/Context	Czech Republic	Poland
Introduction	1 October 2004: four month 'quarantine': comes fully into being on 1 January or 1 February 2005	1 January 2004
Model	The Netherlands	Not clear: We do not know because we do not have any experience in temporary work, so we decided not to do anything by ourselves so we tried to just copy some rules from the directive. Parts of the provisions, if you start to read it, it is very similar to the directive (Ministry of Economy, Labour and Social Policy, Poland) I think that we are very close to what is doing in Belgium or France. It is quite restrictive (Temporary Staffing Agency 7, Poland)
Principles	Three contracts: 'Labour contract', 40 hours per week or shorter, you pay social health insurance, holidays, over-time, night shift 'Working activity', which is practically some … subsidy of commercial law ... where the people can work only until maximum half of the working time that is allowed because we have 40 hours per week here. This is the normal labour time. They can work on this contract, maximum 20 hours, but the people don't have the right for holidays, and they don't have the right for overtime 'Agreement about work', which is limited…one hundred hours maximum per person per employer. Workers work maximum 100 hours at one company. For this employment form there is no payment of insurance, which is 35%, 26% is 'social' and 9% is 'health'	The temporary agency work is defined as performance of the following for the 'user company': seasonal tasks, period tasks or ad hoc tasks; tasks whose timely performance by the user company's permanent staff would be impossible or; tasks normally falling within the ambit of a temporarily absent employee of the user company. Employees employed by a temporary work agency are assigned to specific positions with the operations of the user company The temporary work agency employs employees on the basis of fixed-term employment contracts or 'contracts for completion of a specific task' (the latter are contracts regulated by general provisions of civil law rather than labour law but, importantly, the new Act will also apply to them The workers' contracts with the agency must specify the terms of employment – i.e. duration and time frames, the place of work, the remuneration, and the qualifications required The agency, in its capacity as employer, must notify the user company in writing the principles and conditions governing remuneration of the temporary agency workers The combined amount of time worked within a single user company by a temporary agency worker over a 36 month period may not exceed 12 months Employers which have effected collective redundancies in the previous of six months may not have recourse to temporary agency work The user company may not additionally retain its own employees as temporary agency workers The Act guarantees temporary agency workers a status equal to that of the permanent employees of the user company for the duration of their placement
Impacts	Increase costs, decrease margins Raise profile of temporary staffing, improve general perception of the industry	Increase costs, decrease margins Raise profile of temporary staffing, improve general perception of the industry

Source: Empirical research

Table 4: Timing and mode of entry of multinational temporary staffing agencies into the Czech Republic and Poland

Czech Republic

Date	Firm and origin	Mode	Notes	Current brand
1991	United Services Group (Netherlands)	Project-based	Governmental project between the Czecholovak and Dutch Ministries of Labour until 1994. Start is now independently owned.	Start
1992	Adia (Switzerland)	Greenfield	Pre-Adia and Ecco merger in August 1996	Adecco
1998	Hays Personnel (UK)	Greenfield		
1999	Manpower (US)	Greenfield		
February 1999	TMP Worldwide (US)	Acquisition	100% of Gem Personnel Select acquired before Hudson spun-off from TMP Worldwide in 2002	Hudson
August 1999	Vedior (Netherlands)	Acquisition	Select acquired 80% of AYS before Select was acquired by Vedior in November 1999. Now 100% owned.	Vedior
April 2002	Adecco (Switzerland)	Acquisition	Acquired 100% of JobPilot (Germany), with presence in Czech Republic	JobPilot
April 2004	Monster.com (US)	Acquisition	Acquired 100% of JobPilot (owned by Adecco), including Czech presence	JobPilot
December 2004	Staff Service (Japan)	Acquisition	Undisclosed investment in Axios s.r.o	Axios

Poland

Date	Firm and origin	Mode	Notes	Current brand
1994	Adia (Switzerland)	Greenfield	Pre-Adia and Ecco merger in August 1996	Adecco
February 1999	TMP Worldwide (US)	Acquisition	100% of Gem Personnel Select acquired before Hudson spun-off from TMP Worldwide in 2002	Hudson
2000	Allbecon (Germany)	Greenfield	IT recruitment subsidiary established	CompuJob
2001	Allbecon (Germany)	Greenfield	Generalist staffing	Allbecon Polska
March 2001	Manpower	Greenfield		Manpower
November 2001	Solvus Resource Group (Belguim)	Greenfield	Creyfs Group changed name to Solvus Resource Group in Jan 2002. Acquired by United Services Group (Netherlands) in August 2005.	Creyf's Select
April 2002	Adecco (Switzerland)	Acquisition	Acquired 100% of JobPilot (Germany), with presence in Czech Republic	JobPilot
June 2002	Solvus Resource Group (Belguim)	Acquisition	100% of Connexio acquired. 2001 sales €6.2m	Creyf's Select
June 2003	Hays Personnel (UK)	Greenfield		Hays Personnel
April 2004	Monster.com (US)	Acquisition	Acquired 100% of JobPilot (owned by Adecco), including Czech presence	JobPilot
April 2004	Randstad (Netherlands)	Greenfield	Opened office in Warsaw	Randstad
May 2004	Vedior (Netherlands)	Acquisition	70% of Active Plus acquired. 2003 sales €6m	Active Plus
August 2004	Randstad (Netherlands)	Acquisition	100% of Intersource acquired. 2003 sales €22.75m	Randstad
August 2004	Randstad (Netherlands)	Acquisition	100% of Job Net acquired. 2003 sales €1.8m	Randstad
2005	Michael Page (UK)	Greenfield	Office opened in Warsaw	Michael Page

Source: Empirical research, company websites and annual reports