

# Geographies of Temporary Staffing Unit

## *Working Paper 8*

**Managed flexibility: Labour regulation,  
corporate strategies and market dynamics in  
the Swedish temporary staffing industry**

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## **Abstract**

This paper provides an account of the temporary staffing industry outside of its two largest markets, the UK and the US. It argues for greater national variation in industry characteristics than has generally been acknowledged, using the example of Sweden to illustrate the importance of understanding staffing industries in relation to the regulatory context in which they are embedded. Drawing on secondary materials and interviews with senior officials in transnational and domestic temporary staffing agencies, labour unions, industry trade bodies and government departments, this paper argues that the temporary staffing industry should be understood as an active agent of labour market restructuring. It provides a detailed analysis of the Swedish industry's distinct periods of expansion, charting its legalization and subsequent slow growth in the context of a highly regulated labour market. In conclusion the paper makes two key points. First, 'temporary staffing' in Sweden is very different in nature to that in the more liberalized economies of the US and the UK. Second, the particularities of the Swedish system, and the need for transnational staffing agencies to adapt their activities in Sweden, underline how firms both shape, and are shaped by, the economic and social dynamics that exist in the territories in which they invest.

**Key words:** temporary staffing industry, Sweden, labour markets, regulation, national systems

‘The internationalization 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 ... 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 liberalizing economies’ (Peck *et al.* 2005: 4).

‘In many ways I think the regulations in Sweden make it good for the staffing industry. Because there are so many restrictions about employment in Sweden and there are employers who are afraid to employ because they know if they take this person into the company it’s very, very hard to get rid of the person if it doesn’t work. And that’s good for the staffing industry because then we can come in and give the customers the flexibility that is needed’ (Domestic Staffing Firm D, November 2005).

## 1. Introduction

Temporary staffing agencies are a form of labour market intermediary, meeting the needs of client companies for contract workers and for human resource provision. While in the early 1970s the industry was only really visible in the US and the European markets of the UK, France and the Netherlands, the industry has now become far more international. New markets have emerged and established markets have continued to grow. According to a recent study, the global temporary staffing industry is now worth some US\$200 billion annually (Staffing Industry Analysts, 2006). At the global level, control of the industry is geographically concentrated, with an elite group of American and Western European agencies dominating transnational investment in the sector. Many of these agencies are present in 15-20 countries, with the largest transnational agencies, Adecco and Manpower, currently conducting business in over 70 nations around the world. Alongside this geographical expansion, the largest agencies have also been diversifying their businesses. They have been ‘restructuring up’ (Peck and Theodore 1998), i.e. expanding the segments in which they place workers, adding the likes of accountancy, healthcare, and IT to the more established clerical and light industrial sectors. Agencies have also been widening their service offerings, placing managers at client workplaces and handling recruitment activities, as part of corporate ‘value adding’ strategies (Ward 2004).

Despite this impressive geographical and industrial diversification, we still know very little about the organisational geographies and strategies of these major transnational corporations, although this is beginning to change (see Coe *et al.*, 2006a; Ward, 2004). While we have a reasonable understanding of the globalizing dynamics and drivers in sectors such as advertising, banking/finance, law, management consultancy and computer software/services (e.g. see Leslie, 1995; Jones, 2003; Beaverstock *et al.*, 1999; Glückler, 2006 and Coe, 1997, respectively), we know rather less about, for example, the internationalization of architecture, environmental consultancy, and headhunting services (although see Knox and Taylor, 2005; Schulz, 2005; Faulconbridge *et al.*, 2005, respectively). Temporary staffing can be added to this list. This omission is particularly stark given the temporary staffing industry's role as an active intermediary in the job market, and the wide range of industrial sectors in which agencies place workers. As Theodore and Peck (2002: 160, original emphasis) put it when reporting on their work in the US, 'temp agencies are not simply business enterprises but ... [are] ... *institutional* actors in the labor market'. Conceptualizing the temporary staffing industry in this way raises another noticeable silence in work in this area. Not only do we not know much about the activities of the largest transnational agencies, but we also know very little about the complex interactions between the temporary staffing industry and the wider economy, a relationship whose precise form is likely to differ from one country to another, and perhaps even from one sector to another, reflecting the industry's internally variegated structure.

The temporary staffing sector differs from other business service sectors in certain important respects, three of which will be mentioned here. First, in their continuous strategies to extend and stretch their markets, temporary staffing agencies are acutely sensitive to national variations in labor market and employment regulatory conditions. These have demanded that transnational temporary staffing agencies adapt their corporate strategies and 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. As we shall see in the case of Sweden, the combination of strong social protection and weak labor market regulation lies behind the particular ways in which temporary staffing has expanded in the context of Sweden’s social democratic welfare state regime (Esping-Andersen 1990, 1999). Second, the kinds of market conditions that favor inward investment from transnational staffing agencies gives 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). Or put another way, a common finding across the small number of existing country case studies is that temporary staffing expands in ‘regulated *but restructuring* economies’ (Peck and Theodore 2002: 145): as labour markets are restructured so too are the product markets for the temporary staffing agencies. Third, due to the nature of the temporary staffing business – its daily business operations remain highly localized in so far as trans-national placements remain the exception not the norm within the industry in general – and the need to be close to major employment centers, temporary staffing agencies usually need to establish national networks of offices within their key national markets. Together, these industry characteristics mean that the national subsidiaries of temporary staffing agencies are necessarily highly *territorially* embedded (Hess, 2004).

The purpose of this article is to add to what we already know about ‘temping’ through using evidence on the growth and restructuring of the temporary staffing industry in Sweden, the archetypal ‘social democratic welfare regime’ in the words of Esping-Andersen (1990, 1999). It draws on findings from an ESRC-funded project on *The Globalisation of Temporary Staffing* that ran from September 2004 to November 2006. The project examined the geographical expansion and service diversification of the largest transnational staffing agencies and focused in depth on three particular national markets: Australia, Japan and Sweden. It involved two distinct elements. The first, the ‘horizontal’ dimension, consisted of ‘mapping’ the global

temporary staffing industry and had three objectives: (i) to identify the leading ‘transnational’ temporary staffing agencies, and to map their activities at the global, national and urban scales; (ii) to undertake a comparative analysis of the geographical growth strategies (e.g. motivations, mode of entry, degree of localisation, post-entry expansion, branding etc.) of transnational temporary staffing agencies and; (iii) to undertake a comparative analysis of the corporate structures of transnational temporary staffing agencies. The second, ‘vertical’ dimension consisted of exploring how the global temporary staffing industry became embedded in each of the three national markets. This aspect had three objectives: (i) to explore how the activities of transnational temporary staffing agencies in particular countries are embedded in the wider production networks of the firm; (ii) to explore how the activities of transnational temporary staffing agencies in particular countries are both embedded in, and shaped by, the political-institutional and competitive contexts in which they are operating and; (iii) to investigate the wider regulatory consequences of the expansion of the temporary staffing industry: i.e. to unpack the extent to which these agencies are informing the ‘flexibilization’ of labor markets in different national contexts

In addressing the ‘vertical’ dimension, conducting semi-structured interviews with a range of actors, including with senior executives in transnational and domestic temporary staffing agencies, labour unions, industry trade bodies and government departments allowed us to explore qualitatively the mutual transformations of the organisational geographies of the largest transnational agencies and the markets in which they were present. The interviews were of two types: senior managers in the headquarters of the transnational staffing agencies, responsible for corporate strategy and international expansion and, in the three countries, regional/country managers of the transnational firms, representatives from trade unions, trade bodies and regional/national government and owners/managers of domestic agencies. During our research we secured access to 14 of the top 20 transnationals, carrying out 86 interviews in

total, of which 15 (transnational staffing agencies (5); domestic agencies (4); trade associations (1); government departments (3), unions (1) and academics (1)) were undertaken in Sweden during November and December 2005.

This paper, then, presents the first attempt to understand temporary staffing in Sweden as an *industry*. This sets the paper apart from other work that has been conducted on temporary work in Sweden, which has tended to focus on possible reasons behind its growth – alongside other ‘atypical’ or ‘non-standard’ employment contracts – its legal regulation, or the personal profiles of those doing the temping (e.g. Andersson and Wadensjö 2004; Garsten and Turtinen 2000; Holmund and Storrie 2002; Korpi and Levin 2001; Nystrom 2005; Townsley 2002). In the second section of the paper we outline the regulatory and welfare state context within which domestic and transnational staffing agencies in Sweden have been trying to grow the markets for their services. Next, in the third section, we turn to profiling the Swedish temporary staffing industry and market, drawing both on static indicators and material from our interviews to provide a more dynamic account. The fourth section then turns to the entrance into Sweden of the leading transnational agencies, and assesses what this has meant for the country’s temporary staffing market on the one hand, and for the agencies on the other.

## **2. Embedding Sweden’s temporary staffing industry in its employment and labour market context**

The TSI [temporary staffing industry] is not simply a bearer of deregulated or flexible employment practices, but its structure and development must be understood in terms of the complex renegotiation of employment relations and regulations on a *country-by-country* basis (Peck and Theodore 2002: 145, emphasis added)

While our understanding of the industry in its two core markets of – the US and the UK – has advanced considerably in recent years (Peck and Theodore 2002, 2006; Theodore and Peck,

2002; Ward, 2003; 2005), we know next to nothing about this industry in some of the more regulated labour markets of the industrialized north (although on Italy see Degiuli 2002; Nannicini 2004; on Japan, Imai and Shire 2006; and on Sweden, Andersson and Wadensjö 2004; Nystrom 2005; Townsley 2002). Generalizing from empirical work in just two countries – even if they are the two largest markets for temporary staffing – is likely to produce over-simplified accounts of the temporary staffing industry. As Peck and Theodore (2002: 144-145) acknowledge, based on their own work in the US:

‘[T]he internal composition of the temporary employment sector . . . , the reasons behind its growth and the wider implications for ‘mainstream’ employment relations are all likely to be nationally specific. And more particularly, both the roles assumed by temporary staffing agencies and characteristics of the TSI as a whole will vary between different temporary employment regimes, reflecting among other things the structure of employment law and the prevailing pattern of human resource activities’

On the one hand, in the ‘liberal welfare regimes’ (Esping-Andersen 1990, 1999) of the UK and the US, the ‘temporary employment regimes’, to use the words of Peck and Theodore (2002), are likely to share a number of common characteristics. In the UK and the US, for example, we know the markets are highly competitive and fragmented (American Staffing Association 2006; Recruitment and Employment Confederation 2006; Theodore and Peck 2002; Ward 2003, 2005). The largest agencies have not been able to increase their market share significantly, despite pursuing growth strategies. For example, in both the UK and the US the top ten agencies combined account for less than 20 percent of market share. In both countries it is small domestic agencies that make up the bulk of the market. And, finally, in both countries temporary staffing activities are lightly regulated, against a backdrop of lightly regulated mainstream employment conditions.

On the other hand, however, where ‘temporary employment regimes’ are different, and that is in most of the other industrialized nations, we would perhaps not expect to see US-style



temporary staffing industries. Rather we might expect to observe a variety of temporary staffing industries, differing in terms of internal structure, and in terms of the nature of their relationship to wider employment relations. And it is this variety that is poorly understood, both conceptually and empirically. For example, in many of the most industrialized economies – Denmark, Finland, France, Germany Italy, Japan, the Netherlands – rates of non-standard and atypical employment are sizable, while the proportion of these workers placed through temporary staffing agencies remains relatively low, increasing in some and decreasing in others (see Table 1). The internal composition of the non-standard workforce – the mix of agency, part-time and fixed-term employment – differs from one country to another, undermining attempts to draw meaningful conclusions about the nature of the relationship between the temporary staffing industry and the wider economy on the basis of empirical studies of just the UK and the US.

The UK and the US are also perhaps distinguishable in terms of their labour and industry regulation. They are both what Esping-Andersen (1990: 26-27) famously described as ‘liberal welfare regimes’, where ‘means-tested assistance, modest universal transfers, or modest social insurance plans predominate’ and where the state encourages the market, either passively – by guaranteeing only a minimum – or actively – by subsidizing private welfare schemes.’ In his classification of countries into three different types of welfare state regimes – ‘liberal’, ‘social democratic’ and ‘conservative’ – Esping-Andersen (1990, 1999), the labour market is, alongside the roles of families, state and market, a defining feature. It is perhaps not surprising that there is no one model of temporary staffing industry regulation or of its relationship to the wider employment relationship. Indeed, we argue that it is possible to discern five different ‘types’,

**Table 1: ‘Non-standard’/‘atypical’ employment markets, ranked by % agency workers in 2005**

	<b>Agency workers as % of total employment 1999</b>	<b>Agency workers as % of total employment 2005</b>	<b>Part-time employment as % of total employment 1999</b>	<b>Part-time employment as % of total employment 2005</b>	<b>% of employees with contract of limited duration 2001</b>	<b>% of employees with contract of limited duration 2005</b>
UK	3.6	5.0	25.2	25.7	6.7	5.7
Netherlands	4.5	2.6	39.4	46.2	14.3	15.5
Belgium	1.9	2.3	19.8	21.9	8.8	8.9
US	1.5	2.2	n/a	18.1	n/a	n/a
France	2.0	2.1	17.3	17.4	14.9	13.3
Japan	0.52	1.59	n/a	25.8	n/a	n/a
Ireland	1.38	1.25	16.8	12.8	4.7	3.7
Germany	0.7	1.0	19.0	24.1	12.7	14.2
Sweden	0.52	1.0	23.8	25.0	14.8	16.0
Italy	n/a	0.63	7.9	12.8	9.5	12.3
Australia	n/a	n/a	n/a	27.3	n/a	23.5
Czech Republic	n/a	n/a	5.7	4.8	9.0	8.6

NB: Figures for EU and non-EU countries may not be directly comparable due to differences in data collection and definition of ‘temporary’ forms of work.  
Source: Eurostat (2006); CIETT (2006); ABS (2004); OECD (2002, 2003)

which are set out below. The size, internal structure, rates of growth and implications for the ‘mainstream’ economy of the temporary staffing industry are likely to be the result of the regulatory settlement produced at the *interface of the regulation of the industry and of the labor market* (Bergström and Storrie 2003; Bergström 2005):

- *Type 1*: liberal industry regulation; liberal labour market regulation (Ireland, UK, US);
- *Type 2*: liberal industry regulation; lightly regulated labour market (Australia, Czech Republic);
- *Type 3*: liberal industry regulation; highly regulated labour market (Germany, Netherlands, Japan, Sweden);
- *Type 4*: strict industry regulation; lightly regulated labour market (Belgium, Italy);
- *Type 5*: strict industry regulation; strict labour market regulation (France)

Sweden, then, provides an opportunity to explore the dynamics of temporary staffing in a different type of market to the US and UK. Its ‘regulatory settlement’ is the archetypal ‘social democratic’ welfare regime in Esping-Andersen’s (1990) typology. This classifies nations according to two criteria: (1) the role of the family, market and the state; and (2) the welfare state’s dominant mode and locus of solidarity; and degree of commodification. Although not without its critics, nevertheless, this way of capturing common and divergent welfare state characteristics has proved enormously influential, and provides a means of situating the temporary staffing industry in its wider institutional context. The ‘social democratic regime’ type puts the state central, rests on a universal mode of solidarity and maximises the degree of de-commodification (see Table 2). Its cornerstones were laid in Sweden during the 1930s and 1940s with successive social democratic governments (Gould 1993; Stephens 1996).

**Table 2: A summary overview of regime characteristics**

	<b>Liberal</b>	<b>Social Democratic</b>	<b>Conservative</b>
<b>Role of:</b>			
<b>Family</b>	Marginal	Marginal	Central
<b>Market</b>	Central	Marginal	Marginal
<b>State</b>	Marginal	Central	Subsidiary
<b>Welfare State:</b>			
<b>Dominant mode of solidarity</b>	Individual Market	Universal State	Kinship, Corporatism, Etatism
<b>Dominant locus of solidarity</b>	Minimal	Maximum	Family
<b>Degree of de- commodification</b>			High (for breadwinner)
<b>Modal examples</b>	USA	Sweden	Germany, Italy

Source: Esping-Andersen (1999)

Founded on the egalitarian principles whereby ‘everybody enjoys the same rights and benefits, whether rich or poor’ (Esping-Andersen 1999: 80), an important element in this package of benefits was the employment relationship. Three features are worth mentioning here. First, full employment has been a mainstay, as it has in other countries. However, Sweden has come closer than any other country in achieving this aim. Its employment rate of almost 80% rests on very high levels of female participation through generous – compared to other nations -- childcare, maternity and paternity entitlements. This employment commitment is also mirrored in the resources dedicated to its employment promotion and (re)training programmes. Second, active labour market policies have been pursued, again as they have in other countries (Peck 2001). However, unlike Australia, Canada, the UK and the US – the ‘liberal welfare regimes’ – in the case of Sweden the emphasis has been on the state not the market. As Esping-Andersen (1999: 80) puts it:

Workfare in America implies that social benefits are conditional on accepting work whereas Nordic [Denmark, Finland, Norway and Sweden] 'productivism' implies that the welfare state must guarantee that all people have the necessary resources and motivations to work (and that work is available).

Third, Sweden has developed a strong degree of co-ordinated and centralised bargaining systems, which has pre-Second World War origins (Norgren 1941). Although some worker standards, such as minimum wages, are set through employment law, the Swedish labour market is covered by hundreds of collective agreements that are renegotiated every two to three years. These tend to deal with pay and employment issues, such as equal opportunities and working time. An agreement exists for every sector of activity – private or public – and as union density is very high, so too is the degree of coverage by agreements. Moreover, the terms of agreements are also applied to non-unionized employees, increasing further the number of workers covered by collective agreements. The outcome is that almost all employees in Sweden have employment conditions which derive from a collective agreement. It is in this employment and labour market context that the temporary staffing industry has emerged and developed.

### **3. Temporary staffing in Sweden: an overview**

#### **3.1 The regulation of temporary staffing**

Temporary staffing agencies have existed in one form or another in Sweden since the 1930s. Companies such as Teamwork and Proffice (then known as *Snabbstenografen*) were placing female workers in office and clerical positions, and circumventing the 1935 Act that outlawed profit-oriented staffing agencies (Nystrom 2005; Townsley 2002). Although the market was small it did exist. In 1968 Manpower Sweden formed Vikarbyråforeningen, the first national trade organization for temporary staffing agencies, reflecting the then need felt amongst

agencies to have a body representing their interests. At the time, and for the next two decades, agencies operated on an illegal basis:

‘In 1989, there were other companies too ... it was actually illegal, formally illegal, it was kind of weird, but there were a lot of companies already and the industry had started to grow’ (Domestic Staffing Firm A, November 2005)

This illegal activity was investigated by the Swedish authorities, and some individuals went to court, but government intervention was not sufficient to stop temporary staffing activities.

The market continued ‘to prosper in the margins of state legislative structures, apparently awaiting a successive de-regulation’ (Garsten and Turtinen 2000: 6). Only with the legalizing of temporary staffing through the 1993 *Private Job Placement and Hiring Out of Labour Act* did the industry really begin to expand. Table 3 charts the changing legal status of the temporary staffing industry and the nature of collective agreements and employment protection over time.

The motivation for legalising the industry can be interpreted as an inevitable outcome of labour market restructuring and a pragmatic response to rising unemployment:

‘I think that it was simply that the pressure was on them, the fact that companies are not bad guys and why should there be a ban? I mean in Europe they were commenting already... There was no big debate actually ... It was just the law was out of date and changed. There was no big revolution or anything’ (Government Ministry, November 2005)

The legalising did not mark the deregulation of the industry, however. Rather, workers placed through temporary staffing agencies continued to be understood in legal terms much like any other workers:

‘The ban on temporary agencies was abolished. Otherwise there are so few regulations left that are specific to temporary agencies. In Sweden the temporary agencies are considered as any other employment. So there are no special regulations of the contract or working time or work environment, or anything. They're considered as an employer, as any other. And they want to be’ (Government Ministry, November 2005)

**Table 3: The regulation of the temporary staffing industry and the wider employment relationship**

Employment Protection	Collective Agreements	Temporary Staffing
<p><b>Pre-1974</b> almost all of the regulation of employment contracts was made in collective agreements</p> <p><b>1974</b> Employment Protection Act</p> <ol style="list-style-type: none"> <li>1. It is presumed that the employment contract is ‘until further notice’.</li> <li>2. Terminations of such contracts by the employer are to have a just cause.</li> <li>3. Collective redundancies are, in principle, to follow the simple seniority rule of ‘last-in, first-out’.</li> </ol> <p><b>1982:</b> Two other forms of limited duration contract were permitted.</p> <p><b>1997:</b> Liberalisation of limited duration contracts and some increased worker protection.</p> <p><b>January 2000:</b> If an employee has been employed by an employer as a substitute for in aggregate more than three years during the last five years, the employment is transferred into indefinite-term employment.</p> <p><b>April 2005:</b> new legislation proposed to ensure stronger rights for fixed-term employees.</p>	<p><b>Pre-1974</b> almost all of the regulation of employment contracts was made in collective agreements</p> <p><b>1974</b> Employment Protection Act. Collective agreements which permitted a different regulation than the statutory regulation of contracts of a limited duration could be struck only by a central trade union. This is generally conducted at the national union level.</p> <p><b>1997:</b> It became possible to make collective bargains at the local level (often at the workplace), provided that both parties had made a central agreement in other matters. This has been fiercely criticised by unions.</p> <p><b>1998:</b> White collar collective agreement between HTF, Swedish Assoc. of Graduate Engineers, and predecessor to Bemmanningsföretagen. Renewed a couple of times.</p> <p><b>2002:</b> Blue collar collective agreement between Bemmanningsföretagen and all the 16 trade unions in the Swedish Confederation of Trade Unions (Landsorganisationen, LO). Covered 15,000 workers.</p> <p><b>2004:</b> The latest blue collar agreement was concluded and lasted less than a year. Expired on 31 December 2004.</p> <p><b>April 2004.</b> Renewed white collar collective agreement for temporary staffing agencies encompassed about 20,000 salaried employees. Runs out April 2007.</p>	<p><b>Pre-1991:</b> the 1935 law prohibited illegal employment exchanges entailing, in principle, a prohibition of employment exchanges for profit. 1942 revision stated that if the purpose of the activity was to hire out labour to other companies, they should be viewed as private employment exchanges and were, as such, illegal.</p> <p><b>1991:</b> Social Democratic government made minor adjustments to the prohibition of private employment exchanges but retained the distinction between private exchanges and temporary work agencies. Temporary work agencies were legalised but subject to some regulation.</p> <p><b>1st July 1993:</b> The Private Job Placement and Hiring-Out of Labour Act made private employment exchanges legal, and removed almost all regulation of temporary work agencies. Few remaining restrictions.</p>

Source: adapted from Storrie (2002) and Swedish Ministry of Industry, Employment and Communication (2000).

The outcome of this has been that the terms and conditions of workers remains highly regulated. Temporary staffing agencies are the employers of workers:

‘Here in Sweden from day one you have a contract and then the first 6 months you say, very simple, you have two weeks notice period and then it’s for ever or not. So very simple’ (Transnational Staffing Firm D, November 2005)

One of the most striking features of the Swedish market is how shaped it is by the wider labour market and ‘social democratic welfare regime’. This manifests itself in a number of ways. When transnational staffing agencies buy a domestic staffing agency they are required to retain the workforce, both the staff doing the placing and those being placed:

‘It is a legal term in Sweden. I am not quite sure how to translate that into English but in Sweden you must basically, when you acquire an operation you must really take on all the responsibilities that exist. Your option is to actually buy the company name and then dissolve the company and then build it back again.....As well as in our existing business right now we are entering a relationship with a customer and we take on, on a payroll arrangement, to take on the production line; or a entire department. Actually the Swedish legislation or labour law requires us to take on their current terms and conditions that they have in their employment agreements. It is quite difficult at times’ (Transnational Staffing Firm A, November 2005)

This meant transnationals have to work with existing staff:

‘We have the right people to employ but it is also very difficult to divorce from the people that you don’t really want – so yes I have the legacy like here in Sweden for example with staff that started even before we came into the picture and I have no choice but to take them on and try to do the best even though I know that these people are not right for us – so I have no choice – which is affecting me and the company quite substantially’ (Transnational Staffing Firm A, November 2005)

As the temporary staffing industry has expanded so too has its role in collective agreements. It is now considered a ‘sector’ in its own right, meaning that agency workers, regardless of the sector in which they are placed, are safeguarded by an industry-wide collective agreement. Temporary staffing agencies negotiate through *Bemmaningsföretagen* – their trade body – with the unions representing a range of different workers:



‘The temp agencies are like any other employer. So they have their own collective agreements ... The problem is, for example Manpower, they are so diversified. So they have several agreements, and the employers organisation, if I’ve understood it correctly, they are trying to merge so that they want to have an overall collective agreement for the temp agency business. But still there are a few different ones... Beforehand the temp agencies had to have a collective agreement which was different, part of the blue collar organisation. But now I think that they have one as a whole. So I think there are two major collective agreements on a central level now. And that’s with the blue collar and the people who are working in trade and retail’ (Government Ministry, November 2005)

The first collective agreement was negotiated in 1998 for white collar workers and has been renewed twice, in 2001 and in 2004. This covers 20,000 workers, and covers pay and working conditions (Arrowsmith 2006). For the temporary staffing agencies, these collective agreements are important:

‘The most important thing is the agreement with the unions. It is completely the most important thing to our margins and our performance. One of the biggest differences...with us and other countries that are working in the temp industry is that they haven’t got any temps. All of the temps are fully employed by us here. That is a tricky thing to work with. And we are very dependent on the agreement with the unions. They are setting the platform for all the businesses that you can do and work with and how many billable hours we can work with, how many hours we have to pay the employees, ...the lowest wages we can work with and so on and so on. This is quite heavy regulation’ (Transnational Staffing Firm B, November 2005)

So, as in other countries, the temporary staffing industry is heavily embedded in wider employment relations. In the case of Sweden, however, its social democratic welfare regime, widespread collective agreement coverage, and high levels of social protection mean that the structure and shape of the temporary staffing industry differs markedly from the industries in the UK and the US. Managers in both domestic and transnational temporary staffing agencies acknowledged the importance of the regulatory environment in shaping the industry’s structure and its future growth opportunities.

### 3.2 Market size and structure

There are currently 352 staffing agencies in Sweden. Table 4 outlines the top 10 temporary staffing agencies, which together account for over 90 percent of the market. It reveals a number of important characteristics of the Swedish temporary staffing industry. First, of the world's top 20 transnational staffing agencies (Coe *et al.* 2006a), only nine are present in the Swedish market – Adecco, Manpower, Vedior, Randstad, Kelly Services, Monster, Hudson, Hays, and Michael Page:

‘This is also different in Sweden [to other European markets] because apart from Manpower and Adecco, which are the big globals, and they are big here as well, lots of the big European global staffing companies, they are not in Sweden. The top four are Manpower, Adecco, Proffice and Poolia. Then you have some of the big international players, like Kelly Services and Randstad. They are here but they are very small, Randstad, they are a few persons’ (Transnational Staffing Firm E, November 2005)

Second, the market is extremely concentrated, with the top ten agencies accounting for 88 percent of the national market, and the top three alone almost 70 percent. Third, the market is dominated by the presence of the US agency Manpower, which has a colossal 41 percent market share. In part due to strong performance in the outsourcing sector, Manpower's revenues are roughly equivalent to those of the rest of the top ten. Fourth, relatively small office networks are required by the leading players: Manpower only has 35 branches, and five of the top ten have less than five branches. Finally, the data reveal the high rates of growth in revenues experienced by the majority of the staffing agencies.

**Table 4: Top 10 staffing firms in Sweden, 2005**

Rank	Firm	Firm Origin	Turnover in Sweden (m SEK)	Change since 1999 (%)	Market share (%)	Number Employees	Number branches
1	Manpower	US	4,699	444	41.4	10,000	35
2	Proffice	Sweden	1,448	127	14.5	5,749 <sup>1</sup>	31
3	Adecco	Switzerland	1,440	4,650	14.0	4,500	40
4	Poolia	Sweden	512	207	5.3	970	13
5	Uniflex <sup>2</sup>	Sweden	351	n/a	3.7	n/a	16
6	Academic Work	Sweden	319	n/a	3.1	n/a	4
7	Randstad	Netherlands	185	n/a	1.8	n/a	4
8	Kelly Services	US	155	500	1.5	n/a	2
9	Proffice Aviation	Sweden	124	n/a	1.2	n/a	2
10	Restaurang Assistans	Sweden	124	n/a	1.2	n/a	2
Total			9,357		87.7		

<sup>1</sup> For whole group, including Denmark, Finland and Norway

<sup>2</sup> Uniflex was formed by Poolia spinning-off their blue collar business in November 2004.

Source: Company websites and annual reports.

The Swedish Staffing Association estimated the staffing market in 2005 was worth 10.3bn SEK (US\$ 1.3bn), having risen from 9bn SEK (US\$ 1.3bn) in 2004. This is a relatively small market by European standards, due of course in part due to Sweden's population size.

'The Swedish staffing market is very small, relative to the other European markets. A company in general doesn't use temps at all in the same range as in the UK market' (Transnational Staffing Firm E, November 2005)

Table 5 documents the revenue generation and penetration rates of the Swedish market from 1999 to 2005, and reveals how it has doubled in size during this period, while the percentage of the workforce employed through temporary staffing agencies is just short of 1 percent. This rate is still relatively low in European terms:

‘And that is still very low, Sweden’s penetration rate, that’s really low and if that gets to a level of the Netherlands, for example 3.5%, then of course that would make the market completely different. Now it’s not really accepted with a lot of people still in Sweden’ (Transnational Staffing Firm D, November 2005)

So, the recent history of the Swedish temporary staffing industry is one of reasonably high rates of growth only to end up still relatively small in terms of workforce penetration.

Amongst the EU25, only Denmark, Estonia, Finland, Italy, Portugal and Spain have a smaller proportion of the total workforce being placed through temporary staffing agencies than Sweden. Moreover, unlike the Italian and Spanish markets, legalization has not been followed by a three digit growth rates, even if penetration rates remain low.

**Table 5: Swedish staffing market size and penetration rates, 1999-2005**

<b>Year</b>	<b>Market Size (Bn SEK)</b>	<b>Penetration Rate</b>
1999	5.0	0.52
2000	8.0	0.7
2001	9.0	0.7
2002	9.0	0.7
2003	8.5	0.7
2004	9.0	0.7
2005	10.3	0.9

Source: Bemmaningsföretagen (2005)

### **3.3 Sectors and services**

Given its relative short history it is perhaps not surprising that if we look at the sectors in which staffing agencies place workers, and the services they provide, we find a fairly traditional structure. Turning to sectors first, Table 6 documents where temporary staffing agencies are placing their workers. Three things are worth noting. First, just 34 percent of workers are placed in the warehouse/industry sector, i.e. in ‘blue collar’ work. This is one of the areas of the economy in which temporary staffing has a long history, at least in some of the more established markets (Theodore and Peck 2002; Ward 2003). Second, just about 23 percent of

workers are placed in office sector, where the demand is for stopgap and emergency cover that has historically characterised many national markets (Gannon 1974). Together the two areas of the economy where temporary staffing has traditionally done well – light manufacturing and clerical – constitutes just about 60 percent of all workers employed through temporary staffing agencies in Sweden. Both are sectors where the business is high volume, low margin, and where the nature of the ‘flexibility package’ (Theodore and Peck 2002: 475-479) remains largely unaltered from that which has been offered by US agencies since the 1950s. Third, there is a considerable share accounted for by IT consulting and finance (26 percent). Both of these ‘white collar’ sectors are higher value added, and are those in which the agencies have for a while now been trying to grow their market share (Peck and Theodore 2002; Theodore and Peck 2002; Ward 2003).

**Table 6: Swedish temporary staffing market revenue by occupational field, 2004**

<b>Occupational Field</b>	<b>Revenue (Bn SEK)</b>	<b>Total (%)</b>
Consumer	58.4	0.8
Call Centre	83.4	1.2
Finance	1,245.0	17.2
IT Consulting	676.0	9.4
Office	1,661.3	23.0
Warehouse/Industry	2,445.4	33.9
Pedagogy	44.6	0.6
Technology	87.7	1.2
Healthcare	495.7	6.9
Other	420.5	5.8
<b>Total</b>	<b>7,218.0</b>	<b>100</b>

Source: Adapted from Bemmaningsföretagen (2005)

In addition to diversifying ‘upwards’ the sectors they place workers in, the other strategy that staffing agencies have been pursuing elsewhere is the widening their service provision.

Evidence from the activities of the largest transnationals in the most mature markets reveals a

host of 'value adding' services now being provided (Peck and Theodore 2002; Ward 2001, 2003). In the Swedish case, however, there was little evidence of this trend:

'Sweden's temping market is still quite immature ... master vendor-ships or on-site solutions are still unheard of in Sweden' (Transnational Staffing Firm A, November 2005)

Outsourcing was the exception to this. Agencies saw this service as an attractive alternative to the business model of the day-to-day and week-to-week placement of workers:

'We are quite big in Sweden in the outsourcing...we have gone quite far in that area. One example is a big company ... They make technical material for doctor's instruments ... We have taken over all the non-core functions like the marketing department, the HR department...everything' (Transnational Staffing Firm B, November 2005)

'We're also looking how to develop outsourcing. Outsourcing is a huge business in Sweden, probably in most markets, but we are so small in the outsourcing business. It is larger margins but its also much longer contracts, it's contracts mostly over 1, 2 or 3 years so it's a much more secure business to work with' (Transnational Staffing Firm C, November 2005)

### **3.4 Market conditions**

Although not fragmented like the UK and the US markets and thus not competitive in the way these markets are (Theodore and Peck 2002; Ward 2003), the Swedish industry does appear to be a competitive market: during the recession in the early 2000s margins were certainly squeezed, and some agencies went bankrupt. However, in recent years, with the economic upswing, margins have once again begun to rise:

'Like everybody will tell you regardless of country, they will tell you that the competition is extremely tough which is present in the margins [downwards] with the pricing. I would say the same thing in Sweden we are always four or five different agencies competing about each and every assignment that we have...the margins are climbing now they are not decreasing, that is for two or three years now' (Transnational Staffing Firm A, November 2005)

The combination of some relatively tight occupational labour markets and changes in how clients (companies and workers) do business with temporary staffing agencies has changed the macro-context:

‘The market has become more mature, the clients are more used to buying these types of services, I mean a few years back they went to one company and now they might go to three or four and its much more common with these big companies that they have procurement departments. That’s much more common nowadays, which of course lowers the margins and, in that way, it is difficult as we do to really get paid for the premium services in a face-to-face discussion we might be able to explain it’ (Domestic Staffing Firm A, November 2005)

Smaller temporary staffing agencies felt that they were able to more closely monitor their customer service levels, giving them an edge over competitors:

‘In the first contact it’s often the price, but not now. I think it’s much more the discussion we have with the customer is... Do you have good people? But it’s much also a question of if they choose a company that is not global and not national then I think it’s a question of reliability. How are your standards? Can I trust that you can deliver?’ (Domestic Staffing Firm D, November 2005)

However, the majority of agencies with which we spoke acknowledged that they often struggled to find significant ways to differentiate their ‘product’ from that of their competitors:

‘I think that the staffing industry and the competition that we have it is very difficult to distinguish the table of offers that we have compared to Manpower – even compared Manpower who are the biggest in Sweden – they talk about their highly trained temps, I talk about my highly trained temps; they talk about 100 percent guarantee if the customer is not happy, I talk about the same guarantee; they talk about a response time of four hours; we talk about the same thing . . . . It is difficult; I don’t believe that temporary workers within our company are much better or worse than they are at our rivals’ (Transnational Staffing Firm A, November 2005)

The Swedish market is still relatively small but it is growing fast. Temporary staffing agencies continue to generate the bulk of their revenues through the placement of workers in those sectors – light industrial and clerical – that agencies have traditionally found receptive to their business. As we have seen, there is only limited evidence of staffing agencies seeking to add

on HR-type services. The dominance of the market by three large staffing agencies – one Swedish and two transnationals – makes it different to the largest markets of the US and the UK, and more like the Dutch and French markets.

Table 7 summarises, in stylised form, the change experienced by the Swedish industry since it first emerged in the 1930s. The 1930s to the 1970s is portrayed as a period of ‘subterranean growth’, as the industry despite being illegal experienced some growth in the context of the emergence of the country’s ‘social democratic regime’ (Esping-Andersen 1990). The development of the modern day Swedish welfare state widened social protection levels, increasing the cost of employment and creating the conditions under which temporary staffing emerged and began to grow. The industry was fragmented and its business model was based on filling short-term and stop-gap staffing functions. Once legalised in the early 1990s, transnational staffing agencies entered the market and there was more evidence of market-making activities. The industry sought to grow its markets in higher-value occupations and niches – often, however, without a great deal of success. Growth was slow compared to some of the more ‘explosive’ market openings, such as those of Italy and Spain. In the 2000s the temporary staffing industry’s mode of development might be characterised as ‘steady growth’. Despite some evidence of ‘value adding’ activities there are not many examples of temporary staffing agencies being able to refine their relationships with client firms, as has been the case in other national markets (Ward 2003). The bulk of the business done by agencies remains stubbornly located at the lower-end of the labour market, in the clerical and light industrial sectors. Intensification in these sectors – i.e. doing more ‘volume’ business at relatively low margins – seems to be an easier strategy for many staffing agencies than growing new markets in more executive niches. And yet, as work in other markets has demonstrated, this strategy has yet to deliver the ‘upgrading’ that many in the industry would like.



**Table 7: Periods of growth and changing temporary staffing industry-labour market relations**

<b>Economic context</b>	<b>TSI structure, strategies and status</b>
- Post Second World War economic boom - Emergence of modern day welfare state	<b>'Subterranean growth' (1930s-1980s)</b> - TSI illegal - Market small, centred around large cities and expansion based on economic cyclicalities and business uncertainty - <i>Internally-oriented</i> growth, through domestic agencies - Focus on blue collar and pink collar - Temp business model based on servicing short-term and stop-gap staffing functions - TSI stigmatized and outside of 'mainstream' employment relations
- Economic recessions of the early and late 1990s	<b>'Slow growth' (1990s)</b> - TSI legalized - <i>Externally-orientated</i> growth through the entrance of transnational agencies - Emergence of <i>market-making</i> activities - Focus on diversification into white collar as well as intensification in blue and pink collar
- Economic recovery	<b>'Steady growth' (2000s)</b> - Reinforcement of traditional temp business model - Emergence of 'value adding' activities - Evidence of 'restructuring up' through consolidation in white collar and expansion into executive niches - Consolidation by transnational agencies

Source: authors' own analysis based on Theodore and Peck's (2002) schema

## **4. Transnational staffing agencies: market entry and territorial embeddedness**

### **4.1 Timing of, and rationale for, market entry**

As has already been noted, transnational temporary staffing agencies began to enter the Swedish market once it was legalised in 1993 (see Table 8). Two issues are worth noting here. First, the first agencies to enter the Swedish market were generalists who entered during the 1990s through acquiring domestic agencies. Second, the specialist agencies tended to enter

later on, in the 2000s, and through green-field start ups. Unsurprisingly, perhaps, the transnational agencies all originate from the US or Western Europe:

‘[In the 1980s] it was local Swedish companies and then they were bought by some of the international players, so they established through acquisition in Sweden during the 90s and in the beginning of the 90s came the changes in the law for temporary staffing and for permanent recruitment. That was really the start of the boom and the whole industry boomed enormously during the late 90s ... Once the legislation was introduced there were more start ups and there were acquisitions by the international players buying some of the largest Swedish firms then they were established and then it just grew and grew and grew’ (Domestic Staffing Firm A, November 2005)

For some transnationals there appears to have been a comparative advantage in being amongst the first to enter the Swedish market. While being first into a new market is not without its risks, nevertheless, it does also allow a degree of market-making activity:

‘It [early market entry] is the only way to be a leader. In this kind of market where we have the penetration rate of only 1% ... we would like it to be over 3% and to reach that level you have to develop the product and the market’ (Transnational Staffing Firm B, November 2005)

For most of the transnationals the primary reason for entering the Swedish market was to supply services to existing clients, a finding not uncommon in other similar service providing sectors (Ward 2004). The agencies would enter as part of wider global or international framework agreement:

‘We did it because we got a lot of questions from our customers - why are you not in Sweden because we weren’t representing them in Sweden. And so that was one issue. And the other issue because we wanted to see and feel the Swedish market better by being there and then from that point obviously if you want to go on in, lets say, the whole of Scandinavia or just Sweden’ (Transnational Staffing Firm D, November 2005)

‘...it is a very defined strategy that our firm will enter any market where our customer demands us to be and in terms of Sweden back then it was a very clear request from one of our key customers that, “We want you in Sweden – we want you in Stockholm”’ (Transnational Staffing Firm A, November 2005)

**Table 8: Charting transnational firm entry into Sweden**

<b>Firm</b>	<b>Firm Origin</b>	<b>Date</b>	<b>Mode of Entry</b>	<b>Notes</b>	<b>Current Brand</b>
Adecco	Switzerland	Mid-1990s	Greenfield	No Swedish acquisitions made, but see Olsten below.	Adecco
Manpower	US	1994	Acquisition	Acquired Stockholm Secretaries (10 <sup>th</sup> largest). Rebranded in 1996	Manpower
		1996	Acquisition	Acquired Team Work (largest in Sweden).	Manpower*
Randstad	The Netherlands	September 2004	Acquisition	Acquired Arvako, general staffing agency with offices in Göteborg, Malmö and Stockholm. Revenue 2003 of €8.3m.	Randstad
Kelly Services	US	Early 1999	Acquisition	Acquired Swedish staffing agency. Turnover around 40 m SEK	Kelly Services
Vedior	The Netherlands	2002	Acquisition	Acquired Human Pro – 7 <sup>th</sup> largest traditional staffing firm	Human Pro
Monster / Hudson	US	2001	Acquisition	TMP Acquired Jobline (est. 1997) present in S, F, N, D. Then Hudson spun-off (organic)	Monster (still branded Jobline in Sweden until May 2005) and Hudson
Michael Page	UK	2002	Greenfield		Michael Page
Hays	UK	2003?	Greenfield		Hays
Olsten	US	1995	Acquisition	Olsten's Norwegian subsidiary Norsk Personal acquired Kontorsjouren, the third largest staffing firm.	Adecco
		1997	Acquisition	Acquired Lagerjänst. Olsten was acquired by Adecco in March 2000.	Adecco

\* Manpower also operates under Elan, Right Management Consultants and various Manpower brands, e.g. Manpower Construction.

Source: Company websites and annual reports

Another reason for entering Sweden was as a means of gaining a presence in the wider region. The Swedish office often acts as the regional headquarters, with other offices in the region located in Oslo, Copenhagen and Helsinki:

‘Sweden is very often a natural hub for many of the bigger companies in terms that they have the Nordic or Scandinavian management team so when a company has HR functions and such - we service them on a Scandinavian basis from Stockholm’ (Transnational Staffing Firm A, November 2005)

However, not all transnationals went on to expand out of Sweden and into the wider region:

‘You hear people talk about the “Nordic market”. I don’t think that there is such a thing as the Nordic market. There are some connections between Sweden and Norway and Sweden and Denmark but mainly because of the language, but there are not so many companies operating across these companies. Also, the companies here are either global or European’ (Transnational Staffing Firm B, November 2005)

Table 9 profiles the presence of the top 20 transnational staffing agencies in the Nordic region. While ten agencies are present in the region, only two - Adecco and Manpower – are active in all four countries. Sweden plays a key role in the region: the two largest ‘domestic’ agencies are Poolia and Proffice, both Swedish, reflecting the size of the Swedish market as compared to other national markets in the region, and Sweden is often the first country transnational staffing agencies enter in the region. Denmark is the next most popular territory for inward investment - although it is a smaller market than Sweden, it has more liberal labour market regulation.

**Table 9: Top 20 transnational firm presence in the Nordic region, 2005**

2005 Rank	Firm	Sweden	Denmark	Finland	Norway
1	Adecco	√	√	√	√
2	Manpower	√	√	√	√
3	Vedior	√		√	
4	Randstad	√	√		
6	Kelly Services	√	√		√
7	Hudson	√	√		√
8	Hays	√			
11	Michael Page	√			
13	Monster	√			
20	Proffice	√	√	√	√

Source: Company websites and annual reports.

#### 4.2 Mode of market entry

As Table 8 shows, the dominant mode of market entry by temporary staffing agencies into Sweden has been through acquisition. The strategy of entering new markets through this method is not unusual in the temporary staffing industry (see Coe *et al*, 2006a), but it is unusual for such a *high proportion* of transnational market entry to be through acquisition. For example, this entry method is commonly utilised by Vedior (Coe *et al*, 2006b), whereas Manpower and Kelly Services have historically entered new markets through green-field office establishment (Coe *et al*, 2006c).

However, in the case of Sweden, the majority of transnational firms have used acquisition as their entry into the market. It is a means of buying knowledge of a market unlike many of the others the transnationals enter:

‘Firstly, to buy yourself a presence, an existing presence in the country; secondly to be able to through that presence support the global and European framework agreements and relationships with key customers; and thirdly, of course, to have employees that are trained within the staffing industry and that can quite easily be moulded into our way of thinking’ (Transnational Staffing Firm A, November 2005)

‘Yes we’d rather acquire than green-field, because the knowledge is in. And the Swedish market like we said before is very different..... with restricted labour agreements... because this is really the most restricted country we are in as well, so this is also why we wanted to take not so many risks and just also buy the knowledge’ (Transnational Staffing Firm D, November 2005)

Exceptions to this mode of entry include Michael Page and Hays, both of whom have entered the market more recently, predominately offering higher-end services to the financial services sector. Neither have particularly large operations in Sweden – they are not in the top ten agencies – and so may therefore have felt that acquisition was too large an investment. The other interesting case is that of Adecco, who entered Sweden in 1995 through green-field development. However, their office expansion was rather slow. They owe their current position as the third largest agency in Sweden to the acquisition of Olsten by Adecco in March 2000. By this time, Olsten was one of the largest players in the Swedish market, having acquired two large Swedish staffing firms. Therefore, Adecco may have entered through green-field start-up, but it was its acquisition of Olsten that contributed to its rapid growth.

### **4.3 The place of Sweden in wider corporate networks**

The entrance of transnational staffing agencies into Sweden affected both the networks of the agencies and the conditions of the Swedish market:

‘So that is also a challenge; looking at the models coming from HQ and we adapt them to Sweden’ (Transnational Staffing Firm A, November 2005)

The transnational staffing agencies have all adapted their generic business model, although the degree of adaptation varies from firm to firm. A concern expressed by managers was the inability of many subsidiaries to explain to their headquarters why change was, and is, necessary in the Swedish market:

‘[Sweden] completely [changes the business model of international firms]. Yeah. So that's why its very hard to compare and I know that the people in those big companies the international companies if they have very big difficulties to explain to their Board that Sweden is really something different. As we are the only country even in the Nordic countries so it's strange’ (Staffing Trade Association, November 2005)

Conversely, the experience and knowledge brought to the Swedish market by the transnational firms was widely acknowledged. Despite the necessary adaptation to the local market, many of the transnational firms have been successful within the Swedish context, particularly in the case of the market leader, Manpower:

‘...actually both of the companies [Manpower and Adecco], somehow they have the common sense not to change everything at once so they sort of move in slowly into a new country and I think that was a very good idea, but as you say its quite different now and they are fantastically organised and really they have an organisation that is fantastic, the Swedish companies ought to learn, a lot of them, of course its fantastic’ (Staffing Trade Association, November 2005)

This interviewee went on to say:

‘They [international agencies] ... were bought in the late 90s and then of course it's changing because they really are big companies with lots of money. So of course you can feel the change in that part, they were very fast, they took advantage of their bigness (can you say that?) so of course you can see an effect...and I think its more that its good for us to have those because they have more muscles’ (Staffing Trade Association, November 2005)

The ability of transnational staffing agencies to adapt to the local market conditions and regulations is highly dependent upon the degree of autonomy afforded to the subsidiaries by their headquarters. Communicating necessary changes and problems is a difficulty, but most firms felt that they did have enough autonomy to make adaptations to their business model. In some cases, the particularities of the Swedish market overrode the global strategies of transnational firms:

‘I would say that we have great autonomy... the decisions we have made together here in Sweden it is really what we have today and it is not according to strategy; it is not according to rigid control of our business. However there are a few things that we are

bound to do belonging to this company, that is we hire a certain kind of people to work inside the offices; we have a certain way of reporting that we do and on the other hand when we choose our customers not necessarily all the time we choose the highly specialised assignments or actively look for them' (Transnational Staffing Firm A, November 2005)

The 1990s entrance of the largest transnational temporary staffing agencies has shaped the ways in which the Swedish temporary staffing industry has expanded. The two largest agencies in the world (Coe *et al.*, 2006a) – Manpower and Adecco – have 56 percent market share.

However, domestic agencies also successfully expanded their business in the 1990s – six out of the top ten are Swedish. Neither the domestics nor the transnationals though have been able to grow their markets for their services completely on their own terms. The market remains stubbornly located at the lower-end of the 'flexibility package'. Corporate strategies to grow the market for 'value added' HR services have been at best only partially successful.

Expansion into the higher-end of 'white collar' sectors has also not really taken off. The capacity to adjust and adapt corporate strategy to the particularities of the Swedish market has differed from one transnational to another, reflecting their wider organisational geographies.

## **5. Conclusion**

The example of Sweden is one that underscores the need to pay attention to the national variations in temporary employment regimes, which are embedded in national varieties of capitalisms and welfare state regimes. The temporary staffing industry has managed to get a foothold in Sweden but not under conditions of its own making. It has not expanded quickly as it has in the markets of Italy and Spain. Nor has it been as yet able to diversify from its more rudimentary role as service provider of stop-gap staffing needs (Peck and Theodore 2006). While not regulated directly, the status of staffing agencies as employers of those they place at client workplaces, and the regulation of this relationship through collective agreements, structures the very *modus operandi* of the Swedish temporary staffing industry



(Bergström 2005). Unlike in the ‘home of temping’, the US (Peck and Theodore 2002), the Swedish example is one of *managed flexibility*.

In the UK and the US the combination of lightly regulated industries and labour markets have produced conditions under which the temporary staffing industry has thrived. The period from the 1970s to the 1990s saw it experience spectacular growth, particularly in the UK (Theodore and Peck 2002; Ward 2003). And yet these liberal labour and product conditions in wider ‘liberal welfare regimes’ have produced industrial *instability*. As Peck and Theodore (2000: 489-490) put it, ‘the failure of the large corporate agencies to consolidate positions of market dominance renders this sector endemically vulnerable to commodification and undercutting.’ As a result, in both countries the industry has expanded quickly only to end up small. Penetration rates remain less than 5 percent, with no evidence of the industries overcoming the barriers to *in situ* growth. Accordingly, both these industries remain highly fragmented.

In Sweden, on the other hand, a heavily regulated labour market has created the conditions under which barriers to entry are relatively high, the largest agencies have been relatively successful in protecting and growing their market share, and there has not been an increase in service innovations which can then be easily replicated. And in the context of a regulated labour market and a ‘social democratic welfare regime’ buying the services of temporary staffing agencies allows client firms numerical flexibility. It is the agencies who are the employers of the agency workers. It is the agencies who carry the risks. It is they who pay the salary of the agency workers if they cannot be placed. Thus the relationship between the temporary staffing industry and the wider economy in Sweden differs profoundly from that in the UK and the US. More broadly, the particularities of the Swedish system, and the need for transnational staffing agencies to adapt how they undertake their business in Sweden

underlines how firms ‘absorb, and in some cases become constrained, by the economic activities and the social dynamics that already exist’ (Henderson *et al.*, 2002: 452).

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