

Geographies of Temporary Staffing Unit

Working Paper 9

**Agents of casualisation? Slow growth,
fragmented markets and competitive margins
in the Australian temporary staffing industry**

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Abstract

This paper presents a study of the Australian temporary staffing industry. It explores how temporary staffing markets are manufactured through the interactions between industrial relations and regulatory systems, on the one hand, and the structures and strategies of domestic and transnational temporary staffing agencies on the other. The paper draws on semi-structured interviews with government departments, labour unions, staffing agencies and their trade bodies, and secondary datasets to analyse the size, structure and characteristics of the Australian temporary staffing market. It argues that the Australian market differs in important ways from those other 'liberal regimes' – such as Canada, the UK and the US – with which it is often compared. While the regulation of the Australian temporary staffing industry remains light, the mainstream employment relationship remains regulated through a combination of awards and agreements: although the Federal Government is trying to centralise the industrial relations system, much of it remains overseen at the State level. In conclusion, the paper outlines an approach that seeks to explore the (often gradual) *mutual transformation* of the organizations and the territories in which they are embedded, rather than privileging one at the expense of the other.

Keywords: temporary staffing, Australia, labour markets, industrial relations, internationalisation

JEL classifications: F23, L2, L8, M51

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, original emphasis)

[T]he passage of time is pushing Australia ... towards what appears as prototypical liberalism: minimal state and maximum market allocation of risks (Esping-Andersen 1999: 90)

[T]he growth in labour hire [or agency work] in Australia over the past decade has been one of the most dramatic aspects of the more general proliferation of non-standard employment (Hall 2002: 4)

No, I don't think this is the flavour of the moment, you know Adecco, Manpower... I don't think they are focusing on Australia very much because I think it's not a lucrative market for them (Domestic Generalist 27A, May 2005)

1 Introduction

Temporary staffing agencies are a form of labour market intermediary, meeting the needs of client organizations for contract workers of many kinds. With a core business of *labour supply*, temporary staffing is a very particular kind of 'people-based' business service activity, and one which, by its very nature, is almost always *delivered* locally (Coe *et al.*, 2007). There is much we already know about temporary staffing from a small but growing literature in economics, labour studies, management, political science and sociology. For example, research has explored – across a number of countries – the characteristics of those placed through temporary staffing agencies (Forde, 2001; Parker, 1994, Vosko, 2000), the terms and conditions under which they are employed (Rogers, 2000; Storrie, 2002), the reasons why client organizations use temporary staffing agencies (Ward *et al.* 2001; Van Breugel *et al.* 2005), the labour market consequences of being placed through such an agency (Korpi and Levin, 2001; Purcell *et al.*, 2004), and the variety of ways in which labour unions have sought to resist the expansion of this 'casual' employment type (Burgess 2000; Hall and Harley, 2000; TUC, 2007). Equally, there has been a recent expansion in the work on the industry's geographical and growth dynamics *within* the two core markets of the US and the UK (Peck and Theodore, 2002, 2007; Theodore and Peck, 2002; Ward, 2003, 2005), as well as in other, less-established, markets (on the Czech Republic see Coe *et al.*, 2008; on Italy see Degiuli, 2002; Nannicini, 2004; on Japan see Imai and Shire, 2006; on Poland see Coe *et al.*, 2008; and on Sweden, Andersson and Wadensjö, 2004; Coe *et al.*, 2006; Nystrom, 2005; Townsley, 2002).

According to Jöel Biller (2005), the President of the International Confederation of Temporary Work Businesses (CIETT), the role of temporary staffing agencies in increasing a nation's competitiveness is now recognised across a growing number of countries and indeed, by supranational agencies e.g. the ILO (1997) and OECD (1999). CIETT has been working for three decades, together with the American Staffing Association and the largest transnational agencies, to create the conditions for the internationalization of the industry, i.e. to expand the geographical scope of the industry out of its heartlands – France, the Netherlands, the UK and the US – into newer, less developed markets, particularly in Central and Eastern Europe and South East Asia. In many ways the agencies and the trade association have succeeded. As Peck *et al.* (2005: 24) argue '[t]he temporary staffing industry has been remarkably adept at delivering its product in an increasing number of national contexts.' While there have been pockets of resistance from city to city, state to state, and country to country, nevertheless, the industry has been able to expand geographically with high levels of success. The largest 20 transnational firms currently derive over \$100m per year from foreign markets, the top six over \$1bn, and the top two firms, Adecco and Manpower, over \$10bn. Two of these top 20 are present in 70 or more countries, six are present in over 20, and 14 are present in over ten, a level of internationalisation that is comparable with many other business service sectors (see Table 1). International revenues are increasingly important to these largest agencies, with eight generating more foreign revenues than in their domestic markets, and 15 generating over 30 percent of their revenues internationally.

These international organizational geographies reflect the growing political and social acceptance of temporary staffing, although this growth and the change in how some social actors view the industry remains hotly contested by labour unions in many countries. Since the late 1980s, a number of new geographical markets have been 'manufactured' by those in the industry and its advocates, as countries of differing political persuasions have legalized and liberalized the business of temping. For instance, the temporary staffing markets in Austria, Czech Republic, Finland, Greece, Japan, Italy, Poland, Portugal, Slovakia, Slovenia, Spain, South Korea, Sweden, and Turkey, among others, have been carefully constructed and reconstructed over the last decade, 'to paper over ...[the] ... yawning gap between reality and the market model' (Block, 2002: 233). The industry's global revenues have increased in line with the twin process of liberalization and geographical expansion. The global industry is currently thought to be worth approximately US\$250 billion, with global growth seemingly able to ride roughshod over national economic cycles (Staffing Industry Analysts, 2006). Overall, however, the levels of temporary

staffing remain highly geographically uneven with activity concentrated in a few national markets: in 2004, the US accounted for 49.8 percent of the global market, Europe 38.7 percent (with the UK, France and the Netherlands dominant), Japan 6.3 percent, Australia 1.6 percent, and the rest of the world the remaining 3.6 percent (Coe *et al.*, 2007).

Table 1: The top 20 transnational temporary staffing agencies, 2005

Rank	Firm	Country of origin	Foreign revenue 2005 (\$m)	% revenue foreign	No. of countries
1	Adecco ¹	Switzerland	22,356.00	98	70
2	Manpower	US	13,487.30	84	72
3	Vedior	Netherlands	7,511.50	92	44
4	Randstad	Netherlands	4,958.90	63	19
5	United Services Group	Netherlands	1,960.74	55	11
6	Kelly Services	US	1,724.42	33	29
7	Hudson Highland	US	934.20 ²	65	25
8	Hays ¹	UK	758.00	25	16
9	MPS Group	US	636.94	38	9
10	Robert Half International	US	636.05	19	17
11	Michael Page	UK	443.63	49	18
12	Corporate Services Group	UK	317.14	35	2
13	Monster Worldwide	US	283.16 ³	34	24
14	CDI Corp	US	275.53	24	5
15	Synergie Group	France	242.86	22	9
16	Robert Walters	UK	196.19	48	13
17	Harvey Nash	UK	146.01	51	9
18	Westaff	US	141.89	23	5
19	Glotel Plc	UK	130.37	63	9
20	Proffice	Sweden	122.35	41	4

¹ Financial year ended 30th June 2005.

² Highland executive search figures are excluded.

³ Does not include advertising and marketing segments.

Note: Exchange rates used: End 2005: 1€=US\$1.18; £1=US\$1.82; £1=US\$1.75; 1SEK=US\$ 0.13.

Source: derived from Staffing Industry Report (2006) Year End Report, April 28th Vol. XVII, no. 8 p. 8-9, company reports and websites.

The Australian market is therefore one of the most valuable outside the top five (France, Japan, Netherlands, UK and US), with the industry experiencing growth rates of over 30 percent per annum during the late 1990s and early 2000s (Australian Bureau of Statistics, 2003)¹. This

¹ In Australia the term 'labour hire' is used to refer to a 'work arrangement that characterised by a triangular relationship between the worker, the labour hire agency and the host [the client firm and where the worker works]' (Parliament of Victoria Economic Development Committee, 2004:

growing importance has led some to claim that '[temporary staffing] firms are becoming an increasingly important feature of Australian business and industrial relations' (Parliament of Victoria Economic Development Committee, 2004: 9). The Australian *industry* and *market* is also one about which we know relatively little (although see Burgess *et al.*, 2005; Campbell *et al.*, 2004; Hall, 2004a, b, 2006; O'Donnell and Mitchell, 2005), although intuitively it would appear to resemble the most-established markets of the UK and the US in being lightly regulated, highly fragmented and exhibiting relatively low barriers to entry. '[A]ll you need to open a [temporary staffing] business in Victoria is a phone number and an ABN [Australian Business Number]', was how Martin Pakula (2004), the National Union of Workers State Secretary, described the then situation.

Alongside these commonalities in terms of their temporary staffing markets, these three countries – together with Canada – also share similar welfare state, industrial relations and labour market characteristics. According to Esping-Andersen (1990) they are 'liberal welfare regimes' in which the last two decades have seen the systematic restructuring of the industrial relations and labour market regimes in favour of market relations, although in Australia this continues to throw up all manner of internal contradictions and is resisted by labour unions. In addition to these apparently shared features, the Australian market, like the US's and the UK's, also hosts operations of a sizeable number of the largest transnational temporary staffing agencies: 12 of the top 20. However, while the characteristics of the temporary staffing industry and market and the wider welfare-industrial relations-labour market context suggest strong macro-similarities between Australia, the UK and the US, we argue that this is an overly simplistic and deterministic reading of the way in which the Australian temporary staffing market has evolved in recent years. The current size and structure of the Australian temporary staffing industry and market also reflects important differences from the UK and the US, and in particular, how the temporary

5). The term 'labour hire agency' is then the nearest thing in Australia to a 'temporary staffing agency'. It is also subject to the same debate over its meaning, with the Australian trade association – the Recruitment and Consulting Services Association (RCSA) – arguing that the continued use of 'labour hire' masks some of the differences between the services provided by its members. So, five different types of services provided by labour hire agencies have been identified ('labour hire employee services', 'labour hire contractor services', 'recruitment services', 'employment consulting services', 'managed project/contract services' and 'group training organisations' (Brennan *et al.*, 2003). Nevertheless, all of these services involve a triangular relationship, and the term 'labour hire' continues to be used by government bodies, labour unions, researchers, and trade associations, in Australia. In this paper we use the term 'temporary staffing' both because of its similarities with 'labour hire' and because of the international currency of this term.

staffing market, and its relationship with the mainstream employment relationship² has shaped how, when and to what effect transnational staffing agencies have entered Australia, and the ways in which this, in turn, has shaped how the industry and market have evolved.

Acknowledging the dialectal process through which 'local' temporary staffing markets, national and regional industrial relations, regulatory and welfare systems, and transnational corporate strategies co-evolve in a contingent and complex manner, the paper is organized into three further substantive sections. In the second section, we analyse the broad macro-institutional context in which domestic and transnational staffing agencies in Australia have grown the market for their services. While we map institutionally the similarities with other 'liberal' regimes, most notably the UK and the US (Walwei, 1996), we also highlight the particular sets of relationships between the Australian temporary staffing market and the country's mainstream economy (Burgess and Campbell, 1998; Burgess *et al.*, 2005; O'Donnell and Mitchell, 2005; Hartmann and Patrickson, 2000). We argue that despite apparent similarities, the Australian case remains a distinct one. Contradictions in the restructuring of the labour market over the last two decades means that Australia continues to exhibit some of the characteristics of a social democratic regime even if these are subject to change through the impact of neo-liberal reforms. In the third section we outline the wider research programme on which this paper draws and argue that despite the wealth of research on 'casual', 'insecure', 'non-standard' and 'precarious' employment in Australia (Campbell, 2004; Campbell *et al.*, 2004; Campbell and Burgess, 2001a, b; Hall, 2004b; O'Donnell, 2004; Pocock *et al.*, 2004), this is the first study that places the agencies – those whose business it is to intermediate between client companies and client workers – at the centre of the analysis. This distinguishes it from other work, such as Weller *et al.* (1999), who considered the role of 'agency casuals' when studying employers' recruitment strategies, but failed to theorize the role of temporary staffing agencies. In the fourth section, we examine and profile the Australian temporary staffing industry. We analyse its competitive and fragmented nature, discuss its regulation and relationship to the mainstream employment relationship, and examine the corporate strategies pursued by domestic and transnational agencies as they have sought to expand the market for their business. The overall aim of this paper is to provide a fuller

² The 'mainstream employment relationship' or the 'standard model of employment' refers to the institutionalised 'norm' in the labour market. In most industrialized countries of the global north this refers to a full-time, permanent and direct relationship between employee and employer, with associated conditions and rights. In many cases, this is the benchmark, against which are compared newer employment types, often referred to as 'non-standard'.

understanding of the Australian temporary staffing industry and market in the context of ongoing capital-labour-state contestation over the future regulation of work and employment.

2 Making temporary staffing markets

In an international study of the regulation of temporary staffing agencies, Walwei (1996) considered Australia to be alongside Denmark, New Zealand and the US, at the liberal end of the spectrum, i.e. as a country in which temporary staffing agencies neither require a license nor are subject to particular government regulation. While in and of itself this categorisation of Australia was not without its insights, drawing attention as it did to the quantitative similarities between the four countries, it nevertheless underestimated the wider institutional context in which temporary staffing agencies operate and are regulated. O'Donnell and Mitchell (2005: 10) argue, for example, that the 'federal structure of Australian government means that a degree of regulation of private agencies occurs, and has occurred, historically at the state level.'³ More recent, government-commissioned research into the industry has also argued that historically it has been regulated through the wider industrial relations system that has traditionally covered much of the Australian workforce (House of Representatives Standing Committee on Employment, Workplace Relations and Workforce Participation, 2005; Laplagne *et al.*, 2005; Parliament of Victoria Economic Development Committee, 2004). It appears that the overly-narrow construction of typologies on the basis of the regulation of the temporary staffing industry misses the complex and variegated ways in which it interacts with the mainstream economy, the corporate strategies and structures of domestic and transnational client organizations and agencies, the strategies of labour union, and the regulation of the standard employment relationship. We argue that an appreciation of how the various institutional structures and associated practices – such as those in place for corporate governance, education and training, labour regulation, and welfare services – are articulated together provides a more sophisticated account of the ways in which markets for temporary staffing are constructed.

Esping-Andersen's (1990) notion of 'welfare-state-regimes' provides a starting point for examining the different institutional structures. Emphasizing *variation* amongst nations according to qualitatively different arrangements between state, market and family, he identifies three

³ Their paper details the shifting regulatory terms under which public and private agencies exist in Australia. In recent years the Australian government has shifted from acting as a provider of employment services to a co-ordinator and regulator of private sector providers (O'Donnell and Mitchell, 2005).

regime types. The first, the *liberal* regime, refers to countries 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’ (*op. cit.* 26-27). The second, the *conservative* regime, refers to countries where there is a strong historical corporatist-statist legacy which continues to shape policy, where rights are conferred on individuals on the basis of class and status and where the family, and not the market or the state, is the centerpiece of social reproduction. The third, the *social democratic* regime, refers to those countries where there is ‘an equality of the high standard, not an equality of minimal needs’ (*op. cit.* 27). In his analysis Australia is classified as a ‘liberal regime’.

This is not a categorization with which everyone agrees. Some have argued that there is an ‘Antipodean fourth world’, termed a ‘wage-earners welfare state’ by Castles (1996), whereby ‘the wage arbitration system in Australia implanted strong and egalitarian guarantees, at least as far as the male-breadwinner was concerned. There was little need for a welfare state because male employment was *de facto* ‘full’, because earnings differences were highly compressed, and because the employment relationship furnished general welfare guarantees, such as home-ownership and adequate pension income’ (Esping-Andersen, 1999: 89). This is argued to still be the case today, despite restructuring of the Australian labour market during the 1980s and 1990s which dismantled the ‘wage earners’ regime and left the Australian state resembling, in the words of Esping-Andersen (1999: 90), ‘prototypical liberalism’ (Lee, 2006; Weller, 2007). We argue that there is greater variation within regime types than allowed for by Esping-Andersen (1990, 1999), and that it is important to avoid naturalizing any apparent similarities or parallels amongst countries within each regime type. In particular, a greater sensitivity to economic structures and political economic histories suggests difference *amongst* countries *within* each of the three regimes. In the case of Australia, for example, there are still elements of social democracy in the organization of the labour market. Moreover, the importance of natural resources to the Australian economy also sets it apart from the others within this regime type, with its particular economic and industrial histories, which has involved a strong role for federal and regional states in the maintenance of the markets for labour.

Esping-Andersen (1990) argues that the labour market is a defining feature, alongside the roles of families, states and markets, contending that the ‘labour market is systematically and directly shaped by the (welfare) state’ (Esping-Andersen, 1999: 144). This mutual interdependence is

expressed in three instances: the conditions of labour supply; the conditions that shape behaviour within the labour contract; and the conditions under which labour enters into employment (Rubery and Wilkinson, 1994; Weller *et al.*, 1999). In a similar vein, Soskice's (1999) 'uncoordinated economies' are characterized by de-regulation through wage flexibility, declining trade unionism and weakened employee protection. Coupled with the weak, decentralized industrial relations and weak employment regulations that characterize 'liberal welfare regimes' and it is clear that the extent and the nature of the regulation of industrial relations and labour markets are both outcomes of, and contributing factors to, the status of the welfare state. Importantly for this paper, this understanding of welfare states and industrial relations/labour markets as mutually interdependent institutions provides a means of analyzing the ways in which the temporary staffing market is constructed differently in different countries.

Together with the welfare state and the employment relationship, the regulation of the temporary staffing industry itself provides the third element behind the production of conditions under which temporary staffing markets are manufactured. As Peck *et al.*, (2005: 6) detail, '[r]ecently, the pattern of regulatory reforms across most of the advanced industrial nations and in many of the transitional and developing countries has been favourable to the temporary staffing businesses'. For the first time in their history agencies are operating in a generally 'positive' global regulatory environment (Michon, 2000). While details differ from one country to another, the 1990s undoubtedly witnessed a significant re-regulatory push by agencies and those that represent the industry. Supra-national organisations, together with the international trade association (CIETT), national governments, trade associations and transnational temporary staffing agencies, have played a role in the production of this new, more liberal regulatory environment for the temporary staffing industry, albeit in the face of significant resistance along the way from supra-national and national labour organisations.

The conditions produced through the interaction of these various institutional structures do not, of course, constitute a closed 'national' system (Hall and Soskice, 2001), but rather reflect an assemblage of various processes represented at, and across, a number of different geographical scales. Their coming together to construct a market for temporary staffing then also has as an integral component the *institutional place* of temporary staffing agencies. While the role played by agencies differs, reflecting the heterogeneous nature of corporate strategies and structures (Coe *et al.*, 2007), the general point is that their labour market presence – in terms of the range of services they perform – has system-wide consequences. Understanding agencies in this way, as

having an institutional presence in the economies in which they are embedded, and as active in 'exposing, making and expanding the market for temporary labour' (Theodore and Peck, 2002: 467) challenges the ways in which the industry and others represent it. For transnational agencies, the means by which they enter a market and then consolidate and/or diversify their businesses shapes the production of temporary staffing markets. The same goes for the range of expansionary strategies pursued by domestic and transnational temporary staffing agencies, and the intra-national geographies these produce. This *heterogeneity* within the temporary staffing industry is reflected in the variety of ways in which different sectors (clerical, light industrial, natural resources, professional etc) interact with other institutional structures. An example of this interactive dynamic can be seen in how certain institutional ensembles constitute favorable conditions for inward investment from transnational agencies; '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).

What does this conceptualisation mean for how the Australian temporary staffing market has emerged, and its relationship with other institutional structures? If we begin with the similarities with other 'liberal welfare regimes' (Esping-Andersen, 1990; 1999), the 'temporary employment regimes' (Peck and Theodore, 2002) of Australia, the UK and the US are likely to share a number of common characteristics. First, in the UK and the US, we know the temporary staffing markets are highly competitive and fragmented (American Staffing Association, 2006; Recruitment and Employment Confederation, 2006; Theodore and Peck, 2002; Ward, 2003; 2005): the same is true for Australia. In each of these countries the largest agencies have not been able to increase their market share significantly, despite aggressively pursuing growth strategies and indulging in constant market-claiming innovations, even though evidence suggests these are doomed to 'fail' as value-adding activities are quickly commodified (Peck and Theodore 2002). For example, in Australia, the UK and the US the top ten agencies combined account for less than 20 percent of market share. This is in contrast to continental European countries – and conservative and social democratic regimes – where the largest agencies have significant market shares and temporary staffing markets are more concentrated (Coe *et al.* 2007). In Australia, the UK and the US it is small domestic agencies that make up the bulk of the market – in the case of Australia this is about 70 percent of the market (House of Representatives Standing Committee on Employment Workplace Relations and Workforce Participation, 2005). However, although quantitatively small, *qualitatively* the larger temporary staffing agencies have a disproportionate

influence in shaping the trajectory of the industry, and the terms under which the markets have been made.

Second, in all three countries temporary staffing activities are lightly regulated. In the case of Australia, the 'light touch' regulation of the industry at the state level stems both from the country's particular industrial relations history and the temporary staffing industry's strategy to lobby not for a de-regulation of the mainstream employment relationship but, rather, for its own sphere of operations. Lobbying has been undertaken by the Recruitment and Consulting Services Association (RCSA) in Australia. Third, the welfare restructuring trajectory of the three countries has been similar in recent years. There has been a gradual commodification of labour, through an emphasis on active labour market policies and on 'making working pay' programs. Temporary staffing agencies have been involved in these schemes, deepening their involvement in the delivery of state services (O'Donnell and Mitchell, 2005). Fourth, while significant differences persist, the 1990s have seen some of the reforms in Australia undermine the traditionally strong place of labour unions in corporatist negotiations, putting it closer to the situations in the UK and the US (Weller, 2007), although, perhaps not surprisingly, these have been resisted by the unions. Pierson (2001: 434) claimed that 'Australia's current National-Liberal government is seeking to erode many of the provisions that marked the accords reached between the Australian Labour government and the trade unions between 1983 and 1995.' Through various strategies the Federal Government has undermined its own and the States' awards system and gradually replaced some of them with a piecemeal set of 'enterprise agreements' (Campbell and Brosnan, 1999; see also Lee, 2006). As Bray and Walsh (1998: 378) put it:

[s]ubstantial declines in the membership and organizational capacity of unions, the decentralization of collective bargaining, the growth of individual employment contracts as a substitute for collective bargaining ... the withdrawal of the state from its historical role in the determination of wages and working conditions, and an increased reliance on market forces to determine wages and working conditions.

What has been left is a hybrid system of old and new systems, as Stewart (2005: 1) has put it:

[Australia] still has many of the old institutions and processes - the Industrial Relations Commission, awards, compulsory arbitration of disputes (albeit in limited circumstances). But grafted on top are new processes for workplace-level bargaining, individual employment rights, and so on.

These 'family resemblances' notwithstanding, as Peck and Theodore (2002: 145) argue with respect to temporary staffing industries and markets, their 'structure and development must be understood in terms of the complex renegotiation of employment relations and regulations on a country-by-country basis.' As we shall see, it is equally important to attend to the differences that persist in terms of systems or patterns of restructuring and their outcomes.

3 The globalisation of temporary staffing: research context and methodology

The focus of this paper on the Australian temporary staffing industry reflects the nature of the larger research programme from which the empirical material is drawn. The ESRC-funded project *Globalization of Temporary Staffing Industry* ran from September 2004 to November 2006. It examined the geographical expansion and service diversification of the largest transnational staffing agencies, focusing on four particular markets: Australia, Japan, Sweden and Czech Republic/Poland, each of which was selected as it represented a particular 'type' of way in which the temporary staffing industry had embedded itself in existing regimes of labour market and welfare state governance. The research programme consisted of two 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; (ii) to undertake a comparative analysis of the geographical growth strategies (e.g. motivations, mode of entry, degree of localization, post-entry expansion, branding etc.) of transnational temporary staffing agencies and; (iii) to undertake a comparative analysis of the organizational 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 four markets under consideration. 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 labour markets in different national contexts

Conducting semi-structured interviews with senior executives in transnational and domestic temporary staffing agencies, labour unions, industry trade bodies and government departments proved to be the most insightful way of addressing these research objectives. These interviews were designed to explore qualitatively the mutual transformations of the organizational 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 case study countries, regional/country managers of the transnationals, labour union representatives, industry 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 listed in Table 1, carrying out 84 interviews in total, of which 21 – transnational staffing agencies (7); domestic agencies (6); trade associations (2); government departments (2), unions (2) and academics (2) – were undertaken during a month long visit to Australia in 2005. The interviews were enriched through assembling a repository of publications from transnational and domestic temporary staffing agencies, labour unions, industry trade bodies, government departments, investment analysts and other academics. Overall, the use of range of different types of data allows us to develop an overview of the Australian temporary staffing industry alongside a dynamic account of its key axes of change.

4 ‘Placing’ temporary staffing: the Australian case

4.1 An overview

In 2004 the Australian employment services industry was estimated to be worth AUS\$11.2bn – of which \$9.9bn was generated through temporary placements, and AUS\$1.3bn through permanent placements (Temporary Staffing Agency, communicated through interview) – meaning the temporary staffing industry accounted for 1.5 percent of the country’s GDP (Hall 2006). The industry’s 2003-2004 growth rate of just over six percent means makes it one of the fastest growing temporary staffing markets in the world, even if its rates of growth are considerably less than those of Italy, Spain and Japan. As noted earlier, the Australian market currently constitutes approximately 1.6 percent of the global market for temporary staffing, which taken alongside the country’s share of global GDP makes the market more attractive for investment than the most-established markets (such as France and the Netherlands) but less

attractive than 'under-penetrated' geographical markets (such as Germany and Japan) (Peck *et al.* 2005).

In terms of the Australian industry's characteristics, Table 2 sets out the 20 largest temporary staffing agencies in Australia in 2005. The table reveals a number of significant features of these agencies. First, five firms generated over AUSS\$400m and 11 generated over AUSS\$200m from the Australian market. Second, the profit figures reveal some huge differentials. On the one hand, Hays made AUSS\$52.8m in 2005, while on the other Adecco lost almost AUSS\$15m. Third, eleven of the top 20 agencies are Australian-owned (four of which are privately owned), making it different to many existing and emerging markets, where transnational agencies tend to dominate in terms of market share. Fourth, the top 20 contains both generalist agencies – those who do the bulk of their business supplying workers at the lower end of the occupational hierarchy – and specialists placing workers in a narrower range of occupations, often in the more professional niches.

The structure of the Australian temporary staffing industry resembles those of the UK and US in terms of its fragmented composition. The largest temporary staffing agency, Skilled Engineering, had only 7.2 percent of the market, while the largest eight agencies accounted for just 20 percent of the total. Most agencies tended to be small in size, with 59 percent directly employing less than four people, and 80 percent employing less than ten people. Only 39 employment service companies in Australia directly employed more than 100 people in 2002, the bulk of which were the Australian subsidiaries of transnational temporary staffing agencies. This industry structure reflects the in-principle very low barriers to entry in the sector. As Ken Bieg of Skilled Engineering the largest Australian temporary staffing agency put it to a state government committee (2004: 20-21):

Essentially all you need to do to enter this industry is have a little black book with some names in it and a phone. In these days of mobile phones you do not even need to have an office: you can do it in your car. There are people out there running labour hire companies in that particular way. Because of their size and because they have an extremely low profile they tend to fly under the radar of the authorities

Table 2: The top 20 staffing agencies by revenue in Australia, 2005

Agency	Origin	Revenue 2005 AUS\$ m	Profit 2005 AUS\$ m	Revenue 2004 AUS\$ m
Skilled Engineering	Australia	883.6	24.3	735.9
Chandler Macleod	Australia	668.0 ¹	21.5	323.0
Adecco	Switzerland	585.7 ²	-14.9 ²	629.1
Hays	UK	499.0	52.8	378.9
Manpower	US	411.5	2.3	368.6
Integrated Group	Australia	393.5	8	333.7
Hudson Highland	US	372.0	6.9	448.0
Ross Human Directions	Australia	358.0	5	350.0
Drake	Canada	243.0	n/a	234.0
Candle	Australia	232.0	7	179.4
Select Australasia	Netherlands	n/a	n/a	258.1
Paxus	Australia	229.8	n/a	165.0
Robert Walters	UK	n/a	n/a	171.5
Ambit Group	Australia	175.1	n/a	150.0
Michael Page	UK	146.0	20.2	125.8
Catalyst	Australia	126.0	4.1	111.6
Hamilton James & Bruce Group	Australia	111.1	1.72	106.4
Challenge Recruitment	Australia	n/a	n/a	100.0
Peoplebank	Australia	106.3	1.6	100.0
Kelly Services ⁴	US	n/a	n/a	n/a

¹ Following merger with Forestaff

² Calculated from Adecco press release stating Australia and New Zealand revenues in 2005 were 2% of total revenue (€18,303m). Profit figure unconfirmed by Adecco

³ Includes small revenue contributions from other Asia Pacific territories

⁴ Although data was not available on Kelly's revenue in Australia, anecdotal evidence from our interviews leads us to believe they are one of the top 20 providers in the market.

Source: Annual Reports, Deloitte (2005) and Roberts (2005)

This fragmentation is a result, and a contributing factor towards, the intense competition that characterises the Australian market. It also stems from the sheer geographical size of the market, which encourages regionally-based agencies. Very few agencies have the economic or organisational capabilities to organically grow national branch networks, with the exception of one or two exceptional domestic agencies. Even the transnational agencies have struggled to develop a network that both connects the geographically disparate urban centres of Australia, such as Adelaide, Melbourne, Perth and Sydney – where the bulk of the business is done – and that has been able to overcome the significant differences in each state's industrial relations system (Table 3).

Table 3: The branch networks of the top 20 Australian temporary staffing agencies, 2005

Rank	Firm	Australian Capital Territory	Queensland	New South Wales	Northern Territories	South Australia	Tasmania	Victoria	Western Australia	Total
1	Skilled	1	13	14	1	7	2	<i>12</i>	14	64
2	Adecco	1	12	18	1	3	2	<i>17</i>	3	57
3	Chandler MacLeod	1	13	<i>20</i>	1	6	3	9	8	61
4	Hays	1	6	<i>10</i>	0	1	1	6	1	25
5	Manpower	1	10	<i>10</i>	1	2	1	5	4	34
6	Integrated Group	1	10	9	1	3	2	10	<i>13</i>	49
7	Hudson	1	2	<i>6</i>	1	2	0	2	0	15
8	Ross Human Directions	2	1	<i>5</i>	2	1	1	0	2	14
9	Drake	1	7	5	1	1	1	<i>5</i>	2	23
10	Candle	1	4	<i>8</i>	0	1	0	4	1	19
11	Select	1	5	<i>13</i>	0	5	0	8	3	35
12	Paxus	1	1	1	0	1	0	<i>1</i>	1	6
13	Robert Walters	0	1	<i>1</i>	0	1	0	1	1	5
14	Ambit Group	1	1	1	0	0	0	<i>1</i>	1	5
15	Michael Page	0	1	<i>3</i>	0	0	0	2	1	7
16	Catalyst	1	4	3	0	4	2	<i>10</i>	1	25
17	Hamilton, James and Bruce	0	1	<i>2</i>	0	0	0	1	0	4
18	Challenge	0	1	3	0	<i>1</i>	0	2	1	8
19	Peoplebank	1	1	<i>1</i>	0	1	0	1	0	5
20	Kelly Services	1	3	<i>4</i>	0	1	0	3	1	13
Totals		17	97	137	9	41	15	100	58	474
%		3.6	20.5	28.9	1.9	8.7	3.1	21.1	12.2	100

N.B. Italics – location of company headquarters, Source: Company annual reports and websites.

The consequence of this fragmentation and competition is to produce a 'tough' industry in which to do business:

Yes, it's fragmented, but very competitive, the margins here are much lower than the UK so it's tough to make money out of recruitment here (Domestic Generalist 27A, May 2005)

There's no clear domination in our market, that's quite interesting, I think that's why the people from Europe are often interested to see how business is here, but it's a much younger industry here, we think we're old at 20 years or 25 years but it's a lot less [mature compared to the US] (Transnational Generalist 29A, May 2005)

I think Australia has too many recruitment companies, to be honest, in the market pushing the margins down (Transnational Specialist 19A, May 2005)

In addition, due to the regulation of the mainstream employment relationship at the state rather than federal level, placing workers across territories was understood to generate extra costs.

There are dis-economies of scale in this industry. The bigger you are, the more it actually costs you to run. Which is the insanity around, you know, the big guys going low. There are certain leverages, but the bigger you are the more likely you are to comply to safety and proper pay and rates, and all that. Little guys come along and they don't even pay the right award rates. They don't collect the super, or they collect it and put it in their own pocket. You look at some of the rates and they are below everything. Below what is feasible (Domestic Generalist 20A, May 2005)

You could be a business the size of Manpower in this country and you could have people in every industry sector in Australia, which means you are obliged to abide by something like 846 pieces of legislation! (Trade Association 18A, May 2005)

So there are disadvantages to being a large transnational, as there are fewer opportunities for –and returns to – regulatory evasion. In terms of the temporary staffing market, the core occupational niches remain those of administrative clerical and support staff and blue collar workers. Almost two in five temp workers are placed either in manufacturing or in 'intermediate' or 'elementary' clerical, sales and service jobs (Freidin *et al.*, 2002; Laplagne and Glover, 2005). In terms of the sectors in which workers are placed, again the evidence from Australia is similar to that in other markets. Twenty percent of workers are placed in manufacturing, with 14 percent in property and business services, and 12 percent in health and community services (Freidin *et al.*, 2002; House of Representatives Standing Committee on Employment, Workplace Relations and Workforce Participation, 2005). The dominance of these occupations and sectors in Australia reveals how close this market remains to the industry's traditional 'segments of growth' (Theodore and Peck, 2002: 475; Ward, 2003). Much like

other temporary staffing markets, however, agencies were seeking out ways to move into other, more professional niches, where they could fashion a different 'flexibility package':

... we know that in the specialist business we can produce a higher return on sales... In terms of an economic driver as to how we're going to continue to see growth in the company...it is our specialist businesses can deliver that to us. Also, though, it's strategic because if you're placing in the white collar and executive areas you are placing influences and decision makers which should then filter down through the organisation. Decisions very rarely filter up so strategically we want to be placing people in key decision making roles so that's why we want to grow our executive business in particular (Transnational Generalist 29A, May 2005)

I guarantee the margins for some of the high volume, low margin is single digits margin, whereas for someone medium sized and small volume work that market would be in double figures and so it seems to be that you go for one or the other as a recruitment consultant (Domestic Specialist 21A, May 2005)

Overall, the Australian temporary staffing market resembles those of the UK and the US in that it is fragmented, with no agencies able to command a large market share, and highly competitive, as agencies compete with one another on the basis of price. The bulk of agencies' business gets done placing workers (rather than providing 'value-adding' human resources functions) in the industry's traditional strongholds of the clerical and light industrial sectors (rather than in more professional segments).⁴ While the industry itself is awash with claims over 'moving up' the value chain, and about 'moving away' from its traditional role of placing workers on a day-to-day and week-to-week basis and towards developing longer-term human resources partnerships with client organisations, in reality it remains unable to escape its past. That is not to say that these activities are not taking place – rather that they remain marginal and that the current business mix remains similar to that of the 1950s when 'labour hire agencies specialised in supplying clerical and administrative staff to workplaces to fill temporary gaps caused by staff absences or short-term peaks of activity' (House of Representatives Standing Committee on Employment, Workplace Relations and Workforce Participation, 2005: 31). Furthermore, recent studies have reaffirmed that the primary reasons for client organisations employing the services of temporary staffing agencies remain covering additional staffing requirements and absences of existing staff (Brennan *et al.*, 2003; Campbell *et al.*, 2004) – again, not dissimilar to those reasons organisations have traditionally given for using temporary agency workers.

⁴ Clearly the nature of the relationship between the client company, the client worker and the agency differs from one sector to another. Where relatively small numbers of workers are being placed for long periods of time in specialist occupations there is a very different 'flexibility package' (Peck and Theodore 2002) compared to when large numbers of low-skilled workers are being placed for short assignments.

4.2 Regulatory systems: industry and mainstream employment regulation

Paradoxically, it is the nature of the temporary staffing industry's engagement with the mainstream employment relationship that is both the source of many of its difficulties and yet also a significant generator of its business. As the placement of workers remains the mainstay of the industry so, then, the conditions under which these workers labour continues to matter to the temporary staffing industry. A regulated mainstream employment relationship means extra work for agencies when they place workers. On the other hand, it is this same level of regulation, around occupational health and working hours, for example, that is one of the key reasons behind client organizations turning to temporary staffing agencies in Australia (Hall, 2006).

For Campbell *et al.* (2004), the Australian system of labour regulation produces some particularities unique to this temporary staffing market. Key to these differences is the highly porous and opaque regulatory system, which has become more uneven in the course of labour market deregulation over the past ten years (Campbell and Brosnan, 1999; Briggs and Buchanan, 2000). The system of temporary staffing firm licensing is illustrative here. This is a requirement in five of the Australian states, Australian Capital Territory, New South Wales, Southern Australia, Queensland, and Western Australia. However, firms can operate without licence in Victoria, the Northern Territory and Tasmania (Burgess *et al.*, 2004; House of Representatives Standing Committee on Employment, Workplace Relations and Workforce Participation, 2005; Laplagne *et al.*, 2005; O'Donnell and Mitchell, 2005; Parliament of Victoria Economic Development Committee, 2004), although there are proposals currently under consideration in Queensland and New South Wales to replace the licensing system with an industry code of conduct. Labour unions continue to lobby Federal Government on these matters. To obtain an operating license all an agency has to do is to complete a registration form and pay an application fee, which means that the industry remains in regulatory terms, the '\$10 billion Gorilla in the corner' (Pakula 2004: 1). This level of regulation is similar to that which existed in the UK before the reforms of the early 1990s. This 'light touch' regulation of the industry was, not surprisingly, viewed positively by those within the temporary staffing agencies with which we spoke:

From a framework perspective as well, there has been a lot of discussion around should we be more regulated. There has been a lot of thrust from unions to want to try and force some sort of regulation around our industry, which you can imagine, we [would like to] make go away (Domestic Specialist 28A, May 2005)

Well, regulation is bad for the industry we have no doubt about that. There are cowboys in the industry, you know, some unscrupulous operators and yes, we want to eliminate those

from the industry but the issue that we have with regulations is that it's often unconsidered and often very late. In our discussions with Governments we find that most of them don't understand the industry ...so the legislation is usually too slow to keep up with the changes in the employment market ... We've got two major tiers of government, we've got a State and Federal and one is Tory and the other one is Labour so.... they conflict... We're pretty tough on fighting regulations. We now... have a really interesting scenario where the Federal government is Tory they're very pro our industry, they know we've done a lot of good for them, they've got record low unemployment, all those other sorts of things and part of it is due to schemes and so on, that we work with them (Domestic Generalist 24A, May 2005)

Where there was some concession over the virtues of regulating the industry the solution that was proposed was to introduce a more rigorous 'code', to be overseen and enforced by the trade association – the Recruitment and Consulting Services Association (RCSA) – similar to the system in place in New South Wales and Queensland:

The majority of us would far prefer to be self-regulated through our industry codes, our own management within the industry and adhering to highly professional standards through our own codes of conduct and professional behaviour (Domestic Generalist 27A, May 2005)

The regulation of the mainstream employment relationship is performed locally through the enacting of complex combinations of State and Federal powers. This means temporary staffing agencies operate in a very complicated system, as Weller (2007: 7) describes:

In industrial relations matters, the States and the Federal Government have concurrent powers – a situation that has created a regulatory landscape characterised by long-standing tensions between jurisdictions. As a result, the industrial relations system has always been multi-faceted, comprising federal and state (regional) and (sometimes) industry-based regulations as well as a plethora of informal workplace arrangements. However, every issue that arises in industrial relations is debated and resolved in a specific jurisdiction.

In dynamic terms, however, the power to shape the nature of the system is increasingly concentrated at the national (Federal) scale, as indicated by Table 4, which charts a three-stage evolution of Australia's industrial relations frameworks. Recent legislation has sought to dramatically accelerate the neoliberalization of employment frameworks during the current, third stage, and we will return to the potential impacts of this in the conclusion.

Table 4: Australia's changing industrial relations regulation

	Australian Settlement (1904-1988)	Hybrid Quasi-Corporatist (1988-1996)	Neoliberal Roll-out (1996-)
National Political-Economic Context	Keynesian demand management.	Restructuring for 'international competitiveness.'	Open market-oriented economy.
Objective of Wages Policy	Redistributive.	Means to stimulate workplace reform.	Reactive to global market forces.
Wage Setting	National and State Awards based on cost of living.	National Awards increasingly linked to productivity.	Minimum wage based on business conditions.
Mode of Regulation	Collectivist, multi-employer.	Enterprise-level bargaining superimposed on collectivist structure.	Individual Contracts superimposed on Enterprise-level agreements.
Constitutional Source of Federal Power	'Conciliation and Arbitration' power.	Multiple powers.	'Corporations' power.
Institutions of Regulation	Australian Conciliation and Arbitration Commission. Largely independent of political power.	Australian Industrial Relations Commission. Increasingly subject to political influence.	Australian Fair Pay Commission. Subject to political imperatives.
Federal-State Relations	Increasing Federal influence over State jurisdictions.	Federal ascendancy in cooperative structure.	Federal authority over State jurisdictions.
Capital-Labor-State Relations	Institutionalisation of Capital and Labor relation. State as umpire.	Quasi-Corporatist. Institutionalised. State as stakeholder.	State works to stimulate the market for labor.
Spatial Effects	Policies promote regional equality	Marketization, but with compensations for disadvantaged regions.	Policies promote regional and social inequalities

Source: Weller, 2007, Table 1

The Australian collective industrial relations system still encompasses a significant proportion of the workforce. Covering pay scales, hours of work, tea breaks, holiday, sick pay and a host of other conditions, these agreements are enforced through a system of 'awards' – sets of rules covering an industry, or part of one. The Australian Industrial Relations Commission (AIRC) is the tribunal body responsible for granting awards at the federal level (of which there are around 2,200) (*The Economist*,

2005: 5). An additional 2,000 awards are granted at the state level. In 2004, such agreements covered 92 percent of public sector workers and 24 percent of those in the private sector (Weller, 2007). In light of this extensive regulation it is perhaps surprising that Australia remains out of step with other OECD countries in two regards, in that neither entitlement to unemployment benefit nor paid maternity leave is a statutory right (OECD, 2002).

This level of regulatory complexity has been an important factor behind organizations choosing to use the services provided by temporary staffing agencies, according to Hall (2006), and those with whom we spoke:

More and more the legislation in Australia is making it harder and harder for business to operate in the legislative environment so they want to outsource that, and they'll pay for that service. That is so they can focus on their core business which is the business themselves. So we are finding that more and more they are going to our industry to find them their staff, to manage their OHS [Occupational Health and Safety] for them, to do all those sorts of things (Trade Association UAI, May 2005)

The more complicated the system the more businesses were likely to use temporary staffing agencies. And, in turn, the more complexity is introduced into an IR system the greater the opportunities for agencies to seek out holes in the regulation – what the Australian Democrats (2007) term ‘forum shopping’, i.e. the ways in which agencies might take advantage of different legal regimes and ‘shop around’ from one jurisdiction to another.

However, and perhaps not surprisingly, despite its complexity being an important driver behind the use of their services, those in the temporary staffing industry tended to bemoan the extent and the nature of the regulation of the mainstream employment relationship:

Shocking! I've spent the last 10 years working in a deregulated market [New Zealand] where unions, agreements, awards and the likes were phased out in the early 1990s and replaced with individual employment contracts and collective contracts which are reasonably easy to negotiate without interference. This country has gone in the opposite direction, because of the Labour Governments, so it has created a very strong labour union ... and state focus. So there are two levels of complexity or three. There's the union complexity, there is the state complexity and there is the national complexity. So awards are different in each states, laws are different in each state. It is an absolute dog's bottom and all it does is drive costs and complexity in this business, our business and everybody else's business! (Transnational Generalist 25A, May 2005)

Faced with an internally differentiated national market, transnational agencies have struggled with the strong Australian federal system. This reduces the economies transnational staffing agencies can achieve by having operations across a number of state territories. And, of course, industry-specific

regulations tend to be better for workers, reflecting the particularities of industries, and 'worse' for agencies. The future was thought to be more of the same:

'I don't think that we have a chance in hell of doing that [reducing the layers of regulation]. All we can do is control it, help to control it. There are more and more labour laws coming in with regard to on-hire workers, there are more and more workers compensations, safety etc. There is a whole raft of legislation. We are so mixed up with national versus state based government that the states run certain agendas and you'll get one state which might have a different government in place than the year before and it will push the agenda along a certain line, which will have a massive effect on the employment situation in that state, and the way on-hire workers are viewed, and whether they are employees or not. Once you get into the cost associated with the recruitment company changes, the whole compliance regimes change. So that state might push that one, another one might be pushing in another direction. Federally, there might be another initiative in place to try to remove the whole concept of contract labour, so there are always industrial legislation changes taking place at various levels of government (Transnational Specialist 22A, May 2005)

The relatively 'light' regulation of the Australian temporary staffing industry combined with the still-heavy but gradually relaxing regulation of mainstream employment has shaped the ways in which the Australian market has emerged. On the demand side, together with the traditional reasons, circumventing the rafts of awards and agreements was often mentioned as a reason for employing the services of temporary staffing agencies. On the supply side, agencies create the conditions under which it is feasible for clients to pursue intermediated employment practices. As Peck *et al.* (2005: 4) argue in their theorization of the role of the US temporary staffing industry, 'staffing firms are not simply supplying services ... [t]hey facilitate new kinds of intermediated employment practices and forms of labour contingency that otherwise would be logistically and socially infeasible.' While there is some evidence that the 'flexibility' provided by temporary staffing agencies fits with some workers preferences (Watson *et al.*, 2003), more often than not workers 'choose' casual employment in the context of few other options. Evidence continues to suggest that most workers want flexibility on their own terms, not casual employment under the conditions of the employer (Pocock *et al.*, 2004). Rather than a demand-side argument a more persuasive case can be made for the role of agencies themselves in the market's rapid growth.

4.3 Corporate strategies: market entry and diversification

The nature of the Australian labour market poses particular challenges for the leading transnational agencies. Most transnational temporary staffing agencies entered Australia during the late 1980s and the early 1990s, when the liberalising of the country's employment relationship was already underway. Table 4 documents the timing and mode of entry; a number of aspects are worth noting. First, while

the largest generalist staffing agencies tended to enter through acquisition, for specialists no one strategy dominates – there is evidence of both acquisition and green-field investments. Second, once in the Australian market, many of the largest agencies have continued to make acquisitions in combination with organic growth. Third, two of the largest transnational specialist agencies – Robert Half and Robert Walters – only entered the market in the last decade, almost ten years after the generalists tended to enter. Fourth, two of the largest agencies – Monster and Spherion – have in recent years left the Australian market, in both cases due to a combination of the competitive nature of the Australian industry, and the wider restructuring of their corporations.

As the Australian market has slowly matured, so transnational agencies have tended to acquire specialist agencies as a means through which to diversify. Those with which we spoke were, however, more than aware of some of the issues bound up with acquiring other businesses:

...acquisitions certainly have their challenges. You can buy a \$100 million business and then a year later it's only worth \$80 million. You've paid a lot of money for a \$100 million business and you've just lost \$20 million somewhere along the line through the disruption and loss of staff, etc. So they have their risks but other companies have managed to make acquisitions and go from strength to strength. Whilst protecting their current business, they need more market to protect their current business so it's the reason behind their acquisition strategy' (Transnational Generalist 25A, May 2005)

You know its about the right people, as always, I mean you can find an acquisition that looks like it makes sense on the bottom line but if the key players are not culturally aligned to what you're doing its probably not the right thing' (Transnational Generalist 23A, May 2005)

For some agencies, the complexity of integrating the acquired staffing agencies and the management into the existing businesses was too much. Instead, they were pursuing a strategy of organic growth:

Organic growth is easier than making acquisitions... [due to] the management issues and the cultural issues. It's cheaper. I'm a big fan of organic growth (Transnational Generalist 29A, May 2005).

It is perhaps not surprising that most transnationals have pursued acquisition *and* organic growth in expanding their presence in the Australian industry. This mix of growth strategies spreads the risk. We also found a difference in the strategies pursued by transnationals on the basis of their host country. For example, we were told about the strong relations between the Australian and UK industries, particular in the IT niche, while, on the other hand, the US agencies as we have seen, such as Monster and Spherion, have found it difficult to develop and to grow their businesses:

Table 5: Entry into the Australian market by transnational temporary staffing agencies

Firm	Firm Origin	Date	Mode of Entry	Notes	Current Brand
Select (Vedior)	UK/Netherlands	May 1988	Acquisition	Morgan and Banks	Sold back to management in early 1990s
Manpower	US	1990	Greenfield	Initially entered market by offering franchise agreements – six in place. In 1996 acquired franchises.	Manpower
Adecco Adia (pre-1996)	Switzerland	unknown Late 1980's	Greenfield? Acquisition	Adia entered market. Rebranded following merger Adia purchased temporary business from what is now Chandler Macleod. Series of acquisitions since.	Adecco Adecco
Hays	UK	1976	Greenfield	Entered with accountancy staffing, then introduced office support and banking	Hays
Kelly Services	US	Early 1980s	Acquisition	3 locally-based Brisbane staffing companies – Brisbane, Adelaide and Perth	Kelly Services
Michael Page	UK	1985	Greenfield	Opened first office in Australia	Michael Page
Robert Walters	UK	December 1997	Acquisition	Tristar – IT recruitment	Robert Walters Tristar
Robert Half	US	1998	Greenfield	Entered with offices in Sydney and Melbourne.	Robert Half
Aristotle (Eurolink)	UK	1988	Acquisition	Focus Group. Branded Eurolink until 2003	Aristotle
Drake	Canada	Pre-1980s	Unknown		Drake
Aquent (formerly MacTemps)	US	1995	Greenfield	Opened first office in Melbourne. Followed by acquisition of specialist recruiters in 2005.	Aquent
Westaff	US	1964	Unknown		Westaff
Hudson (formerly TMP Worldwide and Monster)	US	1999	Acquisition	TMP Worldwide acquired Morgan and Banks. In 2002 the company split in two – Hudson Highland and Monster. Hudson is a large player in the market, but Monster left the Australian market due to competitive pressures in August 2003	Hudson
Spherion	US	1968	Unknown	Asia-Pacific division was acquired by Australian based Ross Human Directions in June 2004 following Spherion decision to divest all international operations	Verossity (a Ross Human Directions brand)

Source: Company Annual Reports and Websites

The Australian IT recruitment industry is an offshoot of the UK industry. The vast majority of member companies have seen an influx of Brits. IT here is dominated by Brits. Over the last 20 years, the UK has been more than a fraction ahead of Australia...but the gap may have closed a bit now. In IT recruitment, the way ahead in technology and methodology was lead by Brits. In many respects, Sydney is just an offshoot of the London industry! The Brits coming here had vastly more experience. The market in the UK was too crowded so many firms came here to expand. The current processes and technologies used in Australia were learnt and adopted from the UK (Trade Association 18A, May 2005)

Quite a few American companies did want to come out here but I think the market is just too small for them, whereas I think Brits are prepared to give it a go and make it work (Domestic Specialist 21A, May 2005)

Well, sometime we get American firms come here and they just retreat very quickly because, you know, we're bigger than America geographically, but you know, we've got what the population of New York? So they don't understand the tyranny of distance, they don't have the systems; the infrastructure costs are totally different here (Domestic Generalist 24A, May 2005)

Ongoing restructuring in the Australian temporary staffing industry involves both consolidation – i.e. merging with or acquiring competitors – and diversification – i.e. acquiring smaller specialist agencies to broaden sectors serviced or the services offered:

[Our acquisitions] were all Australian owned domestic firms. And they were bought either for the strategic fit as in they were new services into our existing market or they were a new geographic fit, a new location providing existing services. So our objective always was to build a human capital solutions firm, which covered full service (Domestic Generalist 24A, May 2005)

The mid-2000s have seen a marked upturn in merger and acquisition activity, and in particular, diversification amongst the domestic and transnational agencies in Australia: Table 5 details the key restructuring activities for the period 2004-06. This suggests a confidence in the market, and also an acknowledgement of the need to be constantly on the look out for new, and growing niches. Through increased specialisation, the structure of the Australian temporary staffing industry has begun to change. Only the largest firms now seem to be seeking to do business in both the general and the specialist markets. The remainder of agencies – which due to the fragmented industrial and spatial nature of the Australian industry constitutes the majority – tend to specialise in placing work in particular areas of work or in providing specialist services. This segmentation also shows signs of being organised along the lines of firm ownership, with blue collar placement being the domain of the domestic agencies and white collar, the transnationals:

Table 6: Key merger and acquisition activity in the Australian domestic market, 2004-2006

Date	Firms	Motive
October 2006	Skilled Group acquires Catalyst	Consolidation
September 2006	Ajilon Australia acquires Perth-based business and ICT consulting company AeM Group	Consolidation
September 2006	Rubicor acquires two Australian recruitment companies, expanding IT portfolio and moving into credit/collections sector, in addition to numerous other specialist acquisitions in 2006.	Consolidation and diversification
September 2006	Hamilton James and Bruce acquires Melbourne-based IT Resources Group	Consolidation
September 2006	Chandler Macleod acquires JML Australia, Sydney-based executive search firm	Diversification
September 2006	Skilled Group finalises TESA Group acquisition	Consolidation
August 2006	Chandler Macleod acquires Accenture's IT recruitment business Diversiti	Consolidation
July 2006	Select Australia acquires majority shareholding in Tasmanian-based Coopers Recruitment, permanent and temporary white collar specialist.	Consolidation
May 2006	Rubicor acquires Canberra-based Careers Unlimited – senior executive, legal, admin and financial staffing and Sydney-based Skill Search – IT recruitment.	Diversification
February 2006	Candle acquires Lloyd Morgan - white collar agency	Diversification
December 2005	Rubicor Group acquires SMF Recruitment - finance specialists	Diversification
August 2005	Catalyst acquires Mind Atlas Pt - national skills training organisation	Diversification
July 2005	Skilled Group acquires Perth-based Extraman – mining and resources and engineering staffing company	Consolidation
July 2005	Candle acquires Parker Bridge Australia – temp and perm accounting	Diversification
July 2005	Candle acquires Choice IT – Adelaide-based ICT recruitment and contracting	Consolidation
June 2005	Aquent acquires Hire Performers – creative advertising recruitment company, followed by Dux Creative Consultants in September 2005	Consolidation
June 2005	Rubicor Group acquires six companies under one umbrella entity in a recruitment 'roll-up'	Diversification and consolidation
Early 2005	Forstaff and Chandler Macleod merge.	Consolidation
Early 2005	Aquent acquires Artstar	Diversification
January 2005	Skilled Group acquires Medistaff Nursing Agency	Consolidation
January 2005	Ambition acquires McGinty recruitment - accounting specialists	Diversification
September 2004	Candle acquires The One Umbrella - knowledge management recruitment	Diversification
July 2004	Catalyst acquires Green and Green - ACT specialists	Diversification
July 2004	DFP Recruitment Services acquires the white-collar and contact centre divisions of Prime Placements	Consolidation
June 2004	Ross Human Directions acquires Asia-Pacific arm of Spherion Corp.	Consolidation and international expansion
February 2004	Catalyst acquires Active Labour Hire's Townsville operations - blue collar labour hire for mining industry	Consolidation
February 2004	Skilled Group acquires Origin Healthcare	Diversification
February 2004	Select acquires tpa – publicity agency	Diversification
January 2004	Challenge Recruitment acquires Queensland-based Team Recruitment - clerical and call centre labour hire	Consolidation

Source: Company reports, www.shortlist.com.au, Cassin (2006).

The area we're getting our volume is blue collar, right, where you've got to have local industrial relations expertise, so yes, I think you're right, it's not purely by coincidence that that's so [the two largest firms in the blue collar sector are Australian-owned], but in the white collar space you're still got the 'globals' who are dominating the white collar space and that's probably because I would think that they've got quite significant technological advantage, where they are able to develop systems of technology that given them a competitive edge and spread the costs across a number of different countries (Domestic Generalist 20A, May 2005)

The entry and diversification strategies pursued by temporary staffing agencies in Australia reinforce the industry's territorial characteristics. It is clear that temporary staffing agencies are highly *territorially embedded*. The activities of transnationals are heavily parameterized by the geographical markets in which they invest. While there is a degree of heterogeneity in the structures and strategies of transnational temporary staffing agencies, there are also some shared characteristics, as we have seen.

4.4. Labour union strategies

Through their strategies labour unions are involved in the production of the current Australian temporary staffing industry. For while the agencies and their trade body have been attempting to grow their business, the labour unions that represent workers have been striving to resist both the growth in casual workers and the more general process of casualisation. Concerned over issues such as low pay, loss/diminution of working conditions, and lack of training and skills development, labour unions have been seeking to argue that the role of temporary staffing agencies has growth beyond its 'primary purpose', which in their view should be limited to 'providing short term or temporary labour, or workers with particular skills or expertise' (ACTU 2006: 1). As one labour union official put it:

Its things like short term replacement people with specific skill functions that are the only temporary replacements there, but we've seen the whole scale of replacements of workforces as part of a way of undermining people's jobs and you've got companies like Skilled Engineering, they provide these hire workers for a factory and they run the HR, they do everything (Labour Union A, May 2005)

Some State Governments, such as the New South Wales Government, have joined with the labour unions. They have voiced their concerns over the growth in the roles performed by temporary staffing agencies, in the context of attempts by the Federal Government to take over state industrial relations systems – such as through the 2006 *Work Choices Act* – and 'to reduce the already limited federal safety net still further' (New South Wales Government, 2005: 52).

For those in the labour union movement, agencies are understood to be at the forefront of the wider undermining of the employment relationship and the protections attached to it:

Labour hire has ... helped casualise the workforce, at the same time there's been a dramatic increase in the use of casual labour there's also been a dramatic increase in the use of [temporary staffing] companies, so there's a correlation then, that's happened over the last decade and of course from where we sit that means that the workers that are casual are very vulnerable, they've got insecure employment but what's happening is, they're not necessarily being used as casual employees because our evidence shows that there's workers that have been working three or four years quite regularly, full time hours and really should be permanent but they're deemed to be casuals (Labour Union B, May 2005).

In submissions to a number of governmental taskforces regional and federal labour unions have staked out their case for a number of changes in the ways in which temporary staffing is regulated in Australia. A range of reforms have been proposed, including the introduction of an industry code of practice – which the trade body, the Recruitment and Consulting Services Association, also supports – and a licensing scheme for temporary staffing agencies which would involve agencies reporting on wages and entitlements, training, occupational health and safety, and discrimination (ACTU, 2006: 5-6).

Locally labour unions have taken to organize around particular cases, where they have believed temporary staffing agencies have been exploiting workers, from paying low wages through to denying them a safe working environment. Examples include the stand the Community and Public Sector Union took against Telstra to ensure that agency workers were paid the same as Telstra's own employees (Community and Public Sector Union 2002) and the National Union of Workers' (NSW Branch) organizing against Appaloosa Holdings, who had 'outsourced' its 18 workers to a temporary staffing agency, which in turn had given them five days to either sign individual work agreements or lose their jobs (National Union of Workers 2005). There are numerous other examples of Australian labour unions organising to stop what they see as the role agencies playing in further undermining the terms and conditions of the workers they represent.

Since the 2006 introduction of the Work Choices Act, workers employed in businesses with less than one hundred staff are not protected from unfair dismissal so long as their employer says sacking is for 'operational reasons'. According to the labour unions this has led some companies to use this clause to sack workers, and to replace them with workers hired through a temporary staffing agency. One such case occurred at Vopak Terminals Sydney (National Union of Workers 2007), where twelve workers were sacked and replaced by workers placed through a temporary staffing agency. In this case, this strategy allowed the client company to avoid entering

into a Union Collective Agreement, which is what the sacked workers had wanted. Labour unions argue that is not an isolated incidence (ACTU 2007). It is more and more common for workers placed through a temporary staffing agency to be used as a means of undermining efforts to organise workers. 'Temps' struggle to gain union representation, as one official explained to us:

[Temporary staffing agencies] separate the legal relationship between the employer and the employee.... so it really undermines the temps ... It always makes it a lot easier to sack and alienate Union activists so people can be reallocated without [much recourse]. About 90% of labour hire people are casual so they don't have to give a reason for not continuing your employment so basically if you go to a site and an employee sees a labour hire person trying to organise one phone call to the labour hire company without any recourse so there's real restrictions on being able to organise (Labour Union A, May 2005)

While the labour unions continued to lobby for more regulation of temporary staffing agencies and of the conditions under which workers are placed, there was, nevertheless, an acknowledgement of the differences *amongst* temporary staffing agencies. On the ground different agencies took different positions on industrial relations. As one union official put it:

What I would say is most of the larger companies tend to be able to do agreements with unions to facilitate site rates and where they can they will and that tends to mean that they get a bigger share of the pie with respect to unionised sites, working unionised sites, the smaller operators just don't seem to know how to deal with that issue and haven't got good industrial relations policies mapped out, you know, what is the best way of getting into a workforce and having a non adversarial approach to industrial relations (Labour Union A, May 2005)

While on the one hand labour unions were arguing that '[i]n recent years we have seen [temporary staffing] agencies engage in a race to the bottom, underbidding each other to push the wages and conditions of their employees ever lower' (Pakula, 2004: 1), on the other, labour unions also acknowledged that in some cases the downward pressure emanated from client companies:

I think that a lot of it is driven by the client there's no question about that and that's why to some extent really at the end of the day if we get site rates, it might be a benefit to labour hire companies, not to necessarily their detriment because it will mean they don't actually get screwed in terms of having to drive down wages and have conflict with unions and their own employees because they can say well look that's what the award says, we've got to charge on the basis of these rates of pay (Labour union B, May 2005).

Unions have historically played an important role in Australian economy and society. According to Bentley (1974: 20-21), 'anything approaching an adequate understanding of Australian trade unions ... [has to] ... depict the role of unionism as an institution within the wider context of Australian society,

and to relate the behaviour of the unions to that of other institutions with which they interact.’ The conditions under which these ‘interactions’ occur have changed dramatically since the mid 1990s (Burgess 2000; Hall and Harley 2000). The labour unions are no longer in such a strong position to influence Federal policy, although in general they retain greater leverage at the State level. For the labour unions the growth in the temporary staffing industry is indicative of the more widespread casualisation of the Australian workforce. In all manner of ways this undermines the conditions of their members. Hence, they continue to lobby at the federal level while organizing and striking locally. Through their court cases, lobbying activities and organizing of workers the labour unions are part of the context that has shaped the ways in which the Australian temporary staffing industry has emerged.

5 Conclusions

In Australia, as in other places, the shifting structures of regulation ... are reshaping the wage relation and labour market institutions in the interests of capital. But in contrast to other places, they are achieving these reforms by centralising industrial relations *powers* at the national scale in a manner that enables the localisation of industrial relations *practices* (Weller, 2007: 17).

This paper has been concerned with the type of temporary staffing market that has been produced through the interaction of Australia’s very particular mainstream industrial relations and labour market regulation on the one hand, and the corporate strategies of the domestic and transnational agencies, on the other. In contrast to other work on Australian’s ‘casual’ workforce, this paper has argued for an approach that conceptualizes the institutional position of the temporary staffing industry and market in the wider context of the mainstream employment relationship. This involves moving beyond narrow analysis of the regulation of the industry, and acknowledging its mutually constitutive relationship with the mainstream economy and its regulation.

If Peck and Theodore (2002: 153) are right when they claim that ‘the industry’s business interest is best served by the growth of regulatory costs in the mainstream employment relation, coupled with the ongoing under-regulation of its own sphere of operations’ then the Australian market should be a good one in which to do business for temporary staffing agencies. There is next to no regulation of the industry – in an increasing number of states agencies do not even need a license to practice. This light regulation has meant some that have characterised the industry as having a ‘liberal regime’ (Walwei 1996). In these narrow terms Australia certainly shares a number of common characteristics with the UK and the US, the two largest temporary staffing markets in which the regulation of the industry is also very light.

However, Australia's mainstream employment relationship remains highly regulated when compared to those of the UK and the US, despite the recent liberalization, seen, for example, in the growth of enterprise-level agreements. It retains a strong industrial relations tradition which has been retained in the form of awards and agreements even if statutory regulation plays a limited and shrinking role. As this paper has shown, for the temporary staffing industry this has meant a number of things. First, the barriers to market entry remain relatively high in each of the cities and territories in which temporary staffing agencies enter. While it is relatively easy to establish an agency in theory, in practice the costs can be prohibitive. Transnational agencies which have entered more than one city or territory, and attempted to secure a competitive and cost advantage, have found the returns disappointing. Second, while the mainstream employment relationship remains relatively well-regulated, the most 'temped' industrial sector continues to be manufacturing, suggesting that the industry has become hemmed-in, unable to escape from its traditionally strong niches and move into professional markets, where the margins are higher and the competition less fierce. Generalists – those that supply workers across a range of industries – have in particular struggled. Only specialist agencies have been able to make gradual incursions into industries such as 'property and business service' and 'health and community services'. Third, the Australian temporary staffing market remains one in which the bulk of the business is done by the industry in its traditionally strong labouring and clerical occupations. It has struggled to grow its market share into other, higher value-added managerial occupational niches.

Fourth, the Australian temporary staffing industry remains one in which the bulk of the business done by agencies is through the basic placement of workers. There is little evidence of a sizeable market as yet for other value-adding human resources activities, although some agencies have begun to offer services under the banner of 'human resource solutions'. Fifth, and given this industrial composition, the market is highly competitive. Unable to make significant moves up the occupational ladder or into other industrial niches, agencies are competing for a relatively stable amount of business. In the triangular relationship – between agency, client worker and client organization – this places the client organization in a strong negotiating position. The recent emergence of client procurement units that seek to reduce an agency's margins in return for an increase in volume highlights how the Australian temporary staffing market remains structured by a regressive form of competition amongst agencies.

Recent announced reforms have the potential to dramatically alter this landscape, however. These aim to 'simplify' existing mainstream employment regulations, as well as to institutionalize the notion of 'flexibility':

The work place relations reforms ... are really ... aimed at addressing the complexity of the current system. We have a situation in Australia where we have six different work place relations systems operating across Australia, both federal and state. Each territory has its own work place relations systems. We also have federal and state industrial awards ... So these reforms are really designed to provide a more simple system. While the...I guess the reforms have a number of objectives....and the increasing flexibility of work force participation is one of them, another one is to simplify the system and to work towards a national system of work place relations in Australia (Federal Government, May 2005)

The reforms were announced on 26 May 2005 by the Prime Minister, John Howard, and the *Workchoices Act*⁵ was given Royal Assent in December 2005, passing into law in March 2006. *Workchoices* has both increased the centralisation of industrial relations and heavily circumscribed the activities of unions and the remit of collective agreements, and reflects a relative shift of influence from predominantly Labour-led state governments to a traditionally more conservative Federal Government. Opinions continue to be divided over what the Act has meant, and will mean, for the temporary staffing industry, and its relationship to the mainstream economy. Labour unions have opposed the reforms, claiming that they will lead to the further degradation of workers' terms and conditions. Unions continue to oppose the casualisation of the workforce, and to argue for the regulation of the temporary staffing industry. Those in the industry have been circumspect, emphasising the technocratic nature of the reforms and running educational workshops for their clients. Further studies will be needed to explore the ways in which this nationally-specific variant of neoliberal labour market deregulation will serve to remake Australia's already distinctive temporary staffing industry.

Conceptually, two key messages emerge from our analysis. First, while broad typologies of welfare/labour market systems such as that proposed by Esping-Andersen are undoubtedly insightful, they do not offer a suitable level of resolution for revealing – and indeed explaining – the differences between the various national regimes that the categories group together. Second, and relatedly, the global temporary staffing industry is in reality a mosaic of distinctive national market formations. Understanding that distinctiveness requires not just an appreciation of direct industry regulation, but also two other important dimensions: the leading domestic and transnational agencies and their lobbying and expansionary strategies; and economy-wide labour market regulation and industrial relation systems. While common processes of neoliberal deregulation may in some cases lead to

⁵ The full title of the legislation was the Workplace Relations Amendment (Workchoices) Act 2005, in reference to the 1996 Workplace Relations Act which was a key stage in labour market deregulation, adding individual contracts called Australian Workplace Agreements to the established system of enterprise agreements and national awards. The result was an extremely complex framework that meant an individual worker could actually be regulated by multiple and conflicting mechanisms (Weller, 2007).

convergence, in many cases, as the Australian example shows, the outcome is the production of a newly distinctive context for the development of temporary staffing.

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