



At the heart of Flexicurity:

**The contribution of
private employment agencies
to flexicurity and
a better functioning labour
market in Europe**

Today flexicurity is seen as a way to achieve the common employment objectives of Lisbon: creating more and better jobs, strengthening social cohesion and facilitating active inclusion of all in the labour market. At the same time, private employment agencies have been recognised as a key player in implementing the Lisbon Strategy with regard to the employment objectives.

In its section on flexicurity, the report¹ by the Lisbon employment taskforce chaired by Wim Kok stated that “temporary agency work can be an effective stepping stone for new entrants into the labour market and hence contribute to increased job creation, for example by facilitating recruitment instead of overtime. Acting as human capital managers – rather than mere manpower suppliers – these agencies can also play the role of new intermediaries in the recruitment and management of both qualified and unqualified staff, offering employers an attractive alternative to traditional recruitment channels.”

Through the range of services they provide – temporary agency work, permanent recruitment, outplacement, interim management, executive search and training – private employment agencies represent an efficient link in the labour market to turn people looking for work (the “outsiders”) into the ones who are employed (the “insiders”).



Executive summary

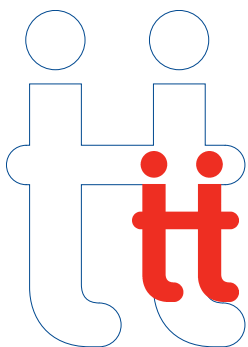
Private employment agencies provide an essential form of embodiment of flexicurity, by striking a balance between flexibility and work security in the labour market.

As well-regulated flexible labour service providers, private employment agencies contribute to work security in the labour market

- Private employment agencies represent a well regulated response to flexible labour needs
- Private employment agencies offer an essential stepping-stone function to the labour market
- Private employment agencies create job opportunities that would not exist otherwise
- Private employment agencies help “outsiders” to re-enter the labour market
- Agency workers benefit from a social status that other flexible workers do not have access to
- Private employment agencies provide flexible working conditions, which a growing number of workers are looking for
- Private employment agencies help to increase work mobility while protecting working conditions of workers

Private employment agencies provide a statutory answer to the flexibility requirements companies are facing

- Private employment agencies are essential intermediaries that improve the fluidity and efficiency of the labour market.
- Private employment agencies provide an efficient external solution for companies to manage their need of workforce flexibility
- Private employment agencies make companies more competitive by enabling quick personnel adjustments in client firms.



“Flexicurity does not mean job security but security of the individual through various stages of employment.”

Employment and Social Affairs Commissioner Vladimir Spidla - 95th Session of the ILO Conference - 2006



“Temporary work agencies should have their place in a modern labour market as new intermediaries that can support flexibility and mobility of firms and workers, while offering security for workers.”

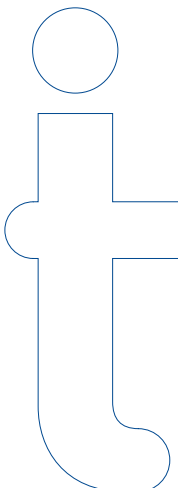
Kok Report, “Jobs, Jobs, Jobs – Creating more employment in Europe” (November 2003)

As well-regulated flexible labour service providers, private employment agencies contribute to work security in the labour market

Private employment agencies represent a well regulated response to flexible labour needs

- **At national level:** Activities of private employment agencies, especially in the area of temporary agency work, are well-regulated across the European Union.
 - By law: National legislation on temporary agency work is mostly inspired by the same shared principle of balancing protection of workers and flexibility of the labour market.
 - By collective labour agreements: National regulation is frequently complemented by sector-level collective labour agreements aimed at protecting working conditions.
 - By self regulation: private employment agencies have implemented high quality standards through national & European codes of conduct to protect workers’ rights.
- **At European Level:** Several Community instruments explicitly cover the Agency Work industry.
 - Directive 91/383 about health and safety at work;
 - Directive 95/46 on personal data protection;
 - Directive 91/553 about information on employment contracts;
 - and, most important, the Posting of Workers Directive (96/71). Adopted in 1996, it has been put in place to guarantee that main working conditions (e.g. minimum wage, maximum work periods, minimum rest periods, minimum paid annual holidays) of migrant temporary workers meet the same requirements as workers in the country of destination.
- **At worldwide level:** a Convention on private employment agencies (No. 181) was adopted by the International Labour Organisation in 1997. This instrument, which comprehensively regulates the provision of work or services through temporary work agencies, is based on the flexicurity principle. 20 countries, 9 of which are from EU Member States, have ratified this Convention.

All those provisions form a quality and legally safe framework for both workers and companies using the services provided by private employment agencies.



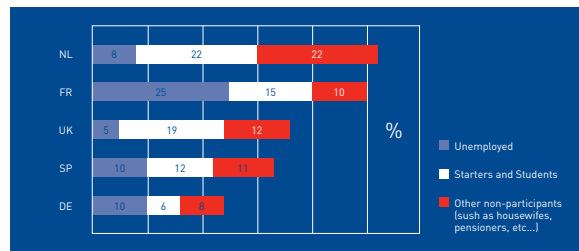
Private employment agencies offer an essential stepping-stone function to the labour market

- Private employment agencies act as a major stepping-stone to permanent employment. On EU average, more than 40% of agency workers were unemployed prior getting an agency work assignment. Within one year from their assignment, 43% of agency workers are in permanent employment.
- Job-starters and first-time entrants to the labour market gain experience through their assignments and can demonstrate their skills to prospective employers. Employers frequently use agency work to test future employees and recruit them permanently afterwards.
- By also being able to provide permanent recruitment services, temporary work agencies offer low and middle skilled job-seekers the kind of services that executive search firms reserve to top management staff.

Private employment agencies create job opportunities that would not exist otherwise

- Private employment agencies employ over 7 million workers in the EU on an annual basis. That is equivalent to 1.9% of the EU working population. Additionally, the agency work industry employs approximately 210,000 staff employees working as recruitment consultants, administrators or managers.
- Private employment agencies are responsible for facilitating genuine employment creation: 17% of work done through agencies would not have carried out had this option not been available to companies. 38% of companies would have been carried out the work using other flexibility solu-

Employment status prior to agency work



Many agency workers were outsiders to the labour market prior to getting a job through a private employment agency.

tions (such as overtime) which do not contribute to employment creation². Therefore, private employment agencies enhance employment security by providing more job opportunities to job-seekers.

- Temporary agency jobs do not replace permanent jobs. There is no substitution effect between temporary agency work and permanent contracts³. The only substitution effect is between unemployment and employment (stepping stone function).

Private employment agencies help “outsiders” to re-enter the labour market

- 40% of the workers employed through private employment agencies belong to the group defined by the OECD as ‘outsiders to the labour market’ (meaning people furthest away from the labour market such as long-term unemployed, first-time entrants to the labour market, returning women, elderly people, ethnic minorities and disabled workers)⁴. Private employment agencies are an efficient link to turn outsiders into insiders in the labour market and enhance social inclusion through further employment opportunities.
- Temporary agency jobs are especially relevant to these outsiders because they can fit with specific personal requirements, such as work/life balance, step-by-step re-inclusion, part-time occupation.

“Bona fide temporary work agencies play a useful role in increasingly complex labour markets.”

European Trade Unions Confederation - Leaflet on the Services Directive (2005)

Agency workers benefit from a social status that other flexible workers do not have access to

- In many EU Member States, a temporary worker's social status has been established through legislation and collective labour agreements in order to strengthen their employment and social security. This status of temporary employees is based on three innovative principles, which guarantee continuity of benefits to offset the lack of assignment continuity.
- **Stable benefits:** In countries where agency workers' regular or complementary social benefits are provided by the employer (through legislation and/or collective labour agreements), these benefits remain stable and can be accumulated by agency workers whatever the user companies they have been assigned to (because the temporary work agency remains their only employer).
- **Transferable benefits:** Because private employment agencies remain the employer of temporary agency workers, they can accumulate social benefits that carry over from one assignment to another.
- **Transparent benefits:** In most cases, benefits are managed by bi-partite organisations representing both trade unions and employers (e.g. complementary pension schemes in France, Belgium, Netherlands, training in France and Spain, health and safety at work in Belgium, France).
- This social status is complemented by all relevant national labour laws that fully apply to temporary agency workers (e.g. social security schemes, minimum wage, paid holidays, maternity leave, public pension schemes).

Private employment agencies provide flexible working conditions, which a growing number of workers are looking for at a stage of their life

- More and more people are looking for flexible working conditions in some periods of their professional career in order to achieve a better work/life balance or to generate extra revenues.
- These individual requests for a flexible work solution are usually linked to a very specific period of their life: e.g. students in need to finance their studies, young mothers willing to work part-time, pensioners getting a complement to their pension allowance.
- Temporary by nature, these assignments are a staging point prior getting back to the labour market through a permanent employment contract.



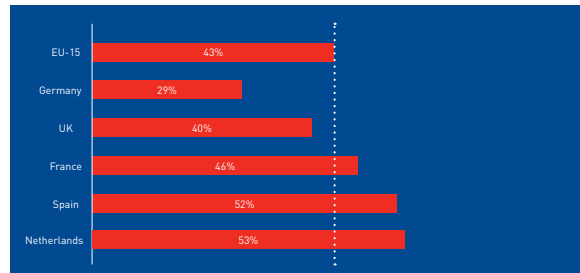
“I am calling for the Agency Work industry to take social leadership in the labour market.”

Aart Jan de Geus, Dutch Minister of Social Affairs and Employment (2006)

Private employment agencies help to increase work mobility while protecting working conditions of workers

- **Mobility from unemployment to employment:** It is in the financial interest of private employment agencies to help people who have been made redundant to find another job as quickly as possible. Furthermore, in many EU Member States, private employment agencies have developed cooperation agreements with Public Employment Services that aim at reducing unemployment and including more people in the labour market, especially those who are furthest away from it.
- **Mobility from one job to another:** Private employment agencies can provide training to workers on new skills for an assignment and therefore enhance their employability and increase their opportunities to work in new roles. Private employment agencies also provide outplacement services, entering a company after redundancies are announced to help re-train workers and inform them about new opportunities in the labour market.

Conversion into non-agency jobs after one year



One year after the start of their assignment through a private employment agency, almost half of the agency workers are no longer with a temporary contract.

- **Geographical mobility:** Thanks to their network of 30,000 branches across Europe, private employment agencies can organise work migration in a professional and secure way while ensuring the protection of the rights and working conditions of migrant workers. Furthermore, the provisions of the Posting of Workers Directive apply to temporary agency workers, protecting their key working conditions when being posted in another EU Member State.

“A central objective is to take fully advantage of the potential of combining flexibility and security through the use of private employment agency services.”

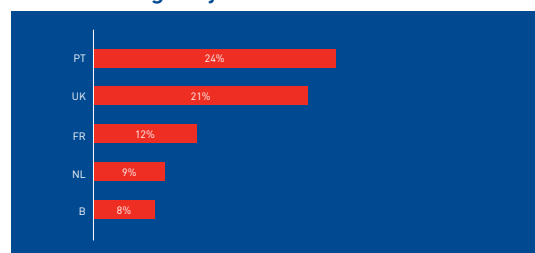
Franz Müntefering, German Minister for Labour and Social Affairs (2006)

Private employment agencies provide a statutory answer to the flexibility requirements labour market and companies are facing

Private employment agencies are essential intermediaries that improve the fluidity and efficiency of the labour market.

- Thanks to their recruitment expertise and their network of 30,000 branches well-informed about HR needs of local companies, private employment agencies can match supply and demand of labour in real time and create a more effectively functioning employment market.
- By supporting the smoothest possible transition from one job to another, private employment agencies help companies to recruit skilled staff which corresponds precisely to their needs and help job-seekers find new employment opportunities.
- Through their services, private employment agencies do not only provide companies with temporary workers, but also use their recruiting, assessment, training and matching skills to find permanent workers, especially for positions where labour shortages exist.
- By keeping workers in touch with the job market and by providing training, private employment agencies help workers to improve their skills and to remain attractive in the labour market.

Proportion of elderly people within the agency workers



Elderly workers (45+) are over-represented within the population of agency workers, compared to total active population

Private employment agencies provide an efficient external solution for companies to manage their need of workforce flexibility

- Companies need increased flexibility to maintain their competitiveness in an economy that is becoming more global, fast-changing and customer-oriented. Private employment agencies help companies cope with seasonal production fluctuations and provide them with specialised skills that they do not have in-house.
- Private employment agencies represent a key response to the flexibility needs of small and medium sized companies, and especially for suppliers which have to respond to the demanding requirements (e.g. zero stock, adjustment in level of production) of their main contractors.
- If the external flexibility solutions provided by private employment agencies did not exist, employers in need of more flexibility could be tempted to use other forms of flexible labour force which are illegal (e.g. undeclared labour, abusive sub-contracting) or less well regulated (e.g. self-employment).

“Private employment agencies are at the heart of the labour market. Agency work represents an inclusion path to permanent employment”

G rard Larcher - French Minister of Labour and Social Affairs (2006)

Private employment agencies make companies more competitive.

- By outsourcing the hiring and administrative management of employees to professional and responsive HR service providers, companies improve their competitiveness: personnel are assigned in accordance with the needs of companies. As a CEPS report shows, "Temporary agency work has a comparative advantage over alternative forms of flexible work, such as fixed contracts or overtime. The superiority of temporary work derives from the temporary agencies' role as matching intermediaries, enabling quick personnel adjustments in client firms."⁵⁷
- Employers can focus activities on their core-business, relying on private employment agencies to take care of the administrative and legal responsibilities of hiring workers. This is especially true for small & medium size companies.
- Private employment agencies help accelerate the launching of new products by providing the extra temporary labour force needed (e.g. launch of a new car model) and therefore improve the competitiveness of companies.

The obstacles: What prevents private employment agencies from bringing an even more positive contribution to flexicurity?

The bad examples

- **Portugal:** An Irish private employment agency was seeking to place temporary airline pilots in Portugal but could not do so because it would need to open an office and provide a financial deposit of circa €150,000. These requirements, along with the likely delay of almost 6 months in getting a license, made a 4 to 6 month placement non-viable and mean less job opportunities for these skilled workers.
- **Germany:** Following the Fixed-Term Employment Act (Section 14 para 2), an employee cannot be offered a fixed term contract without objective reason if he has already been employed by a private employment agency in the past. Prior to hiring a fixed-term contract, it must be checked that the employee has not previously been employed in the company. This administrative check requires a disproportional amount of time and effort. This rule hampers job creation.
- **Luxembourg:** Because private employment agencies can only provide temporary work services, a company looking for a permanent position will not be able to use the services and expertise of a temporary work agency to fill this job vacancy. This lack of flexibility creates less work opportunities for job-seekers and prevents them from accessing a further path to enter the labour market.
- **Spain:** Because public services are not allowed to use the services of temporary work agencies, they have developed other forms of flexible labour contracts where the rights of the workers are less well protected.
- **Belgium:** Government and trade unions are reluctant to create a new ground for use of temporary agency work contract that would focus on professional inclusion. Such a reason for use has been adopted in France (CI-RMA) and has allowed people furthest from the labour market to get back to work
- **France:** Due to the limitation to renewals of temporary contract (third-time rule), a temporary worker who has been working for the last 3 months will have to wait one full month before being able to get a renewal of his contract in the same position within the same company. That means that he will stay out of the labour market while waiting for his contract renewal.

The good examples

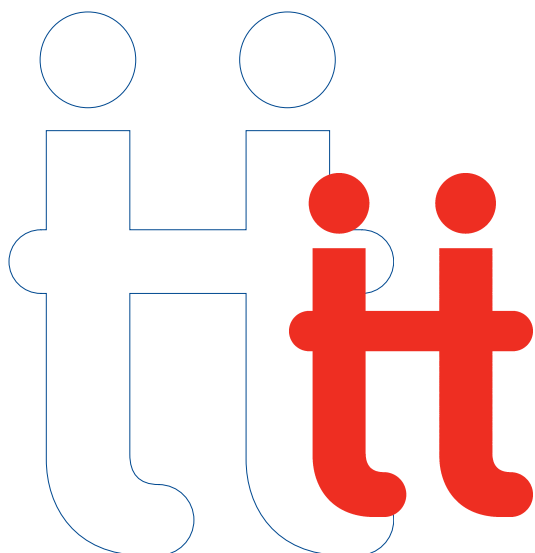
- **Belgium:** Federgon (the Belgian Private Employment Agency association) and trade unions set up a training fund for temporary agency workers in 2006. The objective of this training fund is to help temporary agency workers to improve the level of their skills through training programmes and therefore increase their opportunities to get job assignments. It will also fight labour shortages by training workers to gain skills which companies are desperately looking for in Belgium.
- **UK:** REC (the UK Private Employment Agency association) and Job Centre Plus, the national Public Employment Services, have signed in 2005 the first ever pan industry Diversity Pledge. It covers both the public and private recruitment industry and encourages recruitment agencies and job centres to actively seek out more diverse pools of candidates. Employers increasingly need to build truly diverse workforces to achieve success. Promoting diversity and abiding by best practice will also promote inclusion in employment to the betterment of the UK society.
- **Germany:** The framework collective agreement on general working and employment conditions between BZA (German Association of Private Employment Agencies) and DGB (German Federation of Trade Unions) reflects the special needs of the agency work industry to operate efficiently. The core of this collective labour agreement is a so called working time account enabling a flexible assignment planning process. The volume of working hours can be adjusted perfectly both to the clients and employees needs. The flexible working time account contributes significantly to employment security and job creation while avoiding the risk of dismissals due to seasonal or short time underemployment or shortfall of orders from clients. By uncoupling working time and salary payment a steadily flow of income can be granted to the employee while his working hours on the working time account may deviate. Periods of idle time can thus be compensated by overtime hours in the course of the year.
- **France:** Since 1992, PRISME (the French Private Employment Agency association) and trade unions have established a social fund for temporary agency workers, called Fastt. Its purpose is to bring further social benefits to the temporary agency workers: e.g. subsidies to support scholarship and university fees for their children, financial guarantee to get a housing, security to obtain a consumer credit, complementary private health insurance.
- **The Netherlands:** ABU (the Dutch Private Employment Agency association) and trade unions have signed collective labour agreements for several years to grant extra pension schemes for temporary agency workers. These schemes complement the national public one, providing agency workers further retirement protection whatever the user company they are assigned to.
- **Poland:** ZAPT (the Polish Private Employment Agency association) and the Public Employment Services have developed a cooperation agreement in order to help job-seekers to re-enter the labour market. Joint actions comprise exchange of databases on job seekers and the co-organisation of job fairs.

“Temporary agency work is a stepping stone to permanent employment. Furthermore, 10% of the agency workers are from ethnic minorities, compared to 6.6% in the overall labour population”

Peter Vanvelthove, Belgian Federal Minister of Labour (2006)

Eurociett recommendations on how to better implement flexicurity

- Services provided by private employment agencies represent a modern answer to reconciling the requirement of labour flexibility for user companies and the need of employment security for employees. Eurociett and its members refuse to compete to the detriment of workers' rights and working conditions. Therefore, **private employment agencies' services should be promoted as an appropriate way to implement a flexicurity approach.**
- **Access channels to the labour market should be enhanced**, especially for current outsiders (long-term unemployed, returning women, first-time entrants, elderly people), by making effective use of the stepping stone function of private employment agencies.
- On the European level, the Posting of Workers Directive is an essential and effective tool to protect the basic rights and working conditions of posted temporary agency workers. Eurociett explicitly supports this community instrument that contributes to strike the right balance between flexibility and employment security while facilitating cross border assignments. However, **Eurociett is calling for a better implementation of the Posting of Workers Directive** with regard to national law enforcement and information about the migrant workers' rights.
- Obstacles to the use of temporary work activities performed by private employment agencies are currently still widespread and cover restrictions on sector or occupational bans, heavy administrative burdens and discriminatory measures linked to temporary work contracts (e.g. maximum length of assignment, limited renewals) as well as cross-border assignments. **Eurociett calls for these obstacles to be assessed and the unjustified ones to be lifted.** Indeed, this is against the overall background of flexicurity and the need to develop a better functioning labour market in Europe and to meet Lisbon's employment objectives.
- **The agency work industry should not be discriminated against compared to other forms of flexible labour.** As the 2003 assessment of the Lisbon Strategy's implementation stipulates⁶, "SMEs would particularly benefit from greater opportunity to use temporary work. Removing obstacles to temporary agency work could significantly support job opportunities and job matching."
- **The ratification of ILO Convention n°181 on Private Employment Agencies should be better promoted within the EU** (as of today, only 9 out of the 25 EU Member States have ratified the Convention). This international instrument, which comprehensively regulates the provision of work or services through private employment agencies, is based on a flexicurity approach: Article 2 stipulates that "One purpose of this Convention is to allow the operation of private employment agencies as well as the protection of the workers using their services."



Footnotes

- ¹ "Jobs, jobs, jobs – Creating more employment in Europe" – November 2003
- ² Cf. "Temporary Agency Work in an enlarged European Union" – EIRO Foundation - 2006
- ³ Orchestrating the Evolution of Private Employment Agencies towards a stronger society Report – Mc Kinsey (2000)
- ⁴ A recent study carried out by the German institute for labour market studies (IAB) has provided scientific evidence on these general characteristic of agency work specifically for the German market, www.iab.de
- ⁵ Orchestrating the Evolution of Private Employment Agencies towards a stronger society Report – Mc Kinsey (2000)
- ⁶ "Getting Europe to work: the role of flexibility in tapping the unused potential in European Labour Markets" – Centre for European Policy Studies, September 2006
- ⁷ "Jobs, jobs, jobs – Creating more employment in Europe" – November 2003

Facts & Figures

Eurociett is the European organisation of Ciett, the International Confederation of private employment agencies. Eurociett is the authoritative voice representing the interests of agency work businesses in Europe and is the Social Partner for the temporary agency work sector. It is recognised as such by the European institutions (European Commission, Council and European Parliament) as well as European stakeholders (UNICE, Uni-Europa).

Eurociett brings together 25 national federations of private employment agencies and six of the largest staffing companies worldwide (Adecco, Kelly Services, Manpower, Randstad, USG People, Vedior). Eurociett members consist of private companies operating in the following HR activities: temporary agency work, permanent recruitment, interim management, executive search, outplacement and training.

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