



## The role of agency work in a transitional labour market.



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It is undeniable that the impact of agency work on the labour market is increasing worldwide. There is more discussion on the issue if that development must be considered as beneficial for labour market, economy and society as a whole. In this paper we will focus on two contributions of agency work. The most important is that agency work creates jobs and that a substantial share of these jobs would not have been created if there were no agency work involved. The second one is that agency work improves transitions and mobility on the labour market. That means that agency work is beneficial for the functioning of labour markets.

political and cultural acceptance of agency work. Finally we focus on the role of agency work on the transitional labour market.

### 2. Facts and figures

Table 1 shows the number of agency workers between 1996 and 2006 in the most relevant countries worldwide.

Table 1 Number of Agency Workers  
Source: Ciett and University of Amsterdam

### 1. Introduction

In this paper we start with facts and figures about the development of agency work in the most relevant countries. Then we focus on the question if agency work creates jobs. This is an important question for the economic,

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Number of Temporary Agency Workers (daily FTE x 1,000)											
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Austria	15	18	21	24	30	33	31	38	44	47	59
Belgium	44	51	60	63	71	68	66	66	75	81	88
Denmark	5	6	7	7	8	10	10	11	13	16	21
Finland	9	9	9	8	9	11	11	12	14	17	18
France	291	359	458	515	604	602	570	555	570	586	603
Germany	149	180	203	243	283	288	267	276	323	375	500
Greece									4		
Hungary	ns	ns	ns	ns	ns	ns	30	39	53	54	56
Ireland	3	4	9	10	25	25	25	25	25	25	30
Italy	nlr	nlr	10	26	69	67	82	132	153	157	160
Luxemburg									4	4	5
Netherlands	147	163	180	186	183	178	169	154	157	176	207
Norway	7	9	11	11	11	12	11	10	12	15	24
Poland	ns	ns	ns	ns	ns	ns	ns	19	25	27	35
Portugal	25	29	33	45	45	45	45	45	45	45	45
Spain	60	90	110	133	133	126	123	123	124	130	141
Sweden	10	14	18	24	42	38	37	29	30	32	37
Switzerland	21	24	30	34	39	38	37	36	41	49	61
UK	682	775	696	761	1.027	1.027	1.036	1.111	1.175	1.219	1.265
<b>subtotal</b>	<b>1.468</b>	<b>1.731</b>	<b>1.855</b>	<b>2.090</b>	<b>2.580</b>	<b>2.568</b>	<b>2.550</b>	<b>2.681</b>	<b>2.887</b>	<b>3.055</b>	<b>3.355</b>
Japan	298	340	307	395	537	612	693	743	890	1.020	1.200
USA	2.190	2.440	2.530	2.600	2.700	2.300	2.160	2.380	2.670	2.910	2.960
<b>subtotal</b>	<b>2.488</b>	<b>2.780</b>	<b>2.837</b>	<b>2.995</b>	<b>3.237</b>	<b>2.912</b>	<b>2.853</b>	<b>3.123</b>	<b>3.560</b>	<b>3.930</b>	<b>4.160</b>
<b>total</b>	<b>3.956</b>	<b>4.511</b>	<b>4.692</b>	<b>5.085</b>	<b>5.817</b>	<b>5.480</b>	<b>5.403</b>	<b>5.804</b>	<b>6.447</b>	<b>6.985</b>	<b>7.515</b>

whole of Europe. It took until 2001 before the whole of Europe surpassed the USA. In 2006 the USA share decreased till 33%. The decreasing dominance of USA agency work is the other side of the coin of the internationalisation of agency work. In terms of sale revenues the dominance of USA is more important with 38% (87 billion Euro). The whole of Europe counts for 43% (97 billion).

The same trend can be detected from table 2. This table shows the penetration rate of agency work between 1996 and 2006<sup>1</sup>.

Table 2 International penetration rates of agency work

Source: Ciett, 2007

<sup>1</sup> Penetration rate is share of agency work in total employment (daily basis)

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Penetration rate (DAT as % of total employment)												
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Austria	0,4%	0,5%	0,6%	0,7%	0,8%	0,9%	0,8%	1,0%	1,2%	1,2%	1,5%	
Belgium	1,2%	1,3%	1,6%	1,6%	1,7%	1,7%	1,6%	1,6%	1,8%	1,9%	2,1%	
Denmark	0,2%	0,2%	0,3%	0,3%	0,3%	0,4%	0,4%	0,4%	0,5%	0,6%	0,7%	
Finland	0,4%	0,4%	0,4%	0,3%	0,4%	0,5%	0,5%	0,5%	0,6%	0,7%	0,7%	
France	1,3%	1,6%	2,1%	2,3%	2,6%	2,5%	2,4%	2,3%	2,4%	2,4%	2,4%	
Germany	0,4%	0,5%	0,6%	0,7%	0,8%	0,8%	0,7%	0,8%	0,9%	1,0%	1,3%	
Greece									0,1%			
Hungary							0,8%	1,0%	1,4%	1,4%	1,4%	
Ireland	0,2%	0,3%	0,6%	0,6%	1,5%	1,5%	1,4%	1,4%	1,4%	1,3%	1,5%	
Italy			0,0%	0,1%	0,3%	0,3%	0,4%	0,6%	0,7%	0,7%	0,7%	
Luxemburg									2,1%	2,2%	2,6%	
Netherlands	2,1%	2,3%	2,4%	2,5%	2,3%	2,2%	2,1%	1,9%	1,9%	2,2%	2,5%	2,8%
Norway	0,3%	0,4%	0,5%	0,5%	0,5%	0,5%	0,5%	0,4%	0,5%	0,7%	1,0%	
Poland								0,1%	0,2%	0,2%	0,2%	
Portugal	0,6%	0,6%	0,7%	0,9%	0,9%	0,9%	0,9%	0,9%	0,9%	0,9%	0,9%	
Spain	0,5%	0,7%	0,8%	0,9%	0,9%	0,8%	0,7%	0,7%	0,7%	0,7%	0,7%	
Sweden	0,3%	0,4%	0,5%	0,6%	1,0%	0,9%	0,9%	0,7%	0,7%	0,7%	0,8%	
Switzerland	0,6%	0,6%	0,8%	0,9%	1,0%	1,0%	0,9%	0,9%	1,0%	1,2%	1,5%	
UK	2,6%	2,9%	2,6%	2,8%	3,8%	3,8%	3,8%	4,0%	4,2%	4,3%	4,5%	
<b>Subtotal</b>	<b>1,0%</b>	<b>1,0%</b>	<b>1,1%</b>	<b>1,2%</b>	<b>1,5%</b>	<b>1,5%</b>	<b>1,4%</b>	<b>1,5%</b>	<b>1,6%</b>	<b>1,7%</b>	<b>1,8%</b>	
Japan									1,4%	1,6%	1,9%	
USA	<b>1,7%</b>	<b>1,9%</b>	<b>1,9%</b>	<b>1,9%</b>	<b>2,0%</b>	<b>1,7%</b>	<b>1,6%</b>	<b>1,7%</b>	<b>1,9%</b>	<b>2,1%</b>	<b>2,0%</b>	

Although growth figures of penetration rates are still impressive they are a little more moderate than those of the total number of agency work. This is due to the fact that between 1996 and 2006 also total employment rose in all countries. However the basic finding is very clear. In all European countries the penetration rate rose considerably. In the whole of Europe the penetration rate rose from 1% in 1996 to 1,8% in 2006. However, in three European countries the penetration rate decreased somewhat since 2000 (France, Sweden and Spain). Japan also noted a sharp rise from 1,4% in 2004 to 1,9% in 2006 due to lifting restrictions in 1996, 1999 and 2004<sup>2</sup>. In the USA the penetration rate rose from 1,7% to 2,1% over the last 10 years. Besides the fact that USA is already a very mature market this rather moderate growth has certainly to do with the fact that USA couldn't take a profit of deregulation since the market was always deregulated comparing to European and Japanese markets.

Besides economic growth and deregulation

the success of agency work has also to do with the added value it generates for both employers and workers. Employers use agency work to make the internal workforce more flexible, to reduce fixed labour costs, to absorb demand peaks, to recruit and to outsource. Workers use agency work to gain income, skills and competences, as a way to find a 'permanent' job or because they want a temporary job (for instance as a second job). In this paper these issues will not be elaborated. Instead there will be focused on positive outcomes for the labour market in general.

### 3. The role of agency work

#### Creation of jobs

In order to become the most innovative and competitive economy in the world the European Commission developed the Lisbon goals in 2000. One of the most important goals was to achieve an employment rate of 70% in 2010. At this very moment (2007) only 5 of

<sup>2</sup> The penetration rate couldn't be calculated for the other years because of lack of reliable information.

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27 countries were able to achieve this rate (table 3)

<sup>3</sup>An interesting example is found in Italy where a negative relationship is found between successive law changes in favour of agency work with positive impact on the penetration rate of agency work and undeclared work as a percentage of total work (Eurociett, 2007). Another historical example is the labour market for students in Belgium where the share of undeclared work decreased in the nineties after agency work became involved.

Table 3 Employment rate in Europe 27

Belgium	61,0
Bulgaria	58,6
Czechia	65,3
Denmark	67,2
Estonia	68,1
Ireland	68,6
Greece	61,0
Spain	64,8
France	63,0
Italy	58,4
Cyprus	69,6
Latvia	66,3
Lithuania	63,6
Luxembourg	63,6
Hungary	57,3
Malta	54,8
Netherlands	74,3
Austria	70,2
Poland	54,5
Portugal	67,9
Romania	58,8
Slovenia	66,6
Slovakia	59,4
Finland	69,3
Sweden	73,1
UK	73,1
EU 27	64,3
EU 15	66,0

Source: European Commission, Employment in Europe 2007

work creates jobs. There are a lot of theoretical arguments for that statement.

- it reduces frictional unemployment
- it reduces undeclared work<sup>3</sup>
- it reduces overtime
- it strengthens competitiveness of companies due to better control of labour costs
- it leads to savings on social security (lower labour costs)
- it leads to additional tax and social security income
- it facilitates labour market entry of disadvantaged groups
- it facilitates transitions (mobility) on labour market in general

This overview shows that the relationship between agency work and net job creation is a complex one and that more research is needed to bring more clarification. However that does not mean that nothing can be said. Between 2003 and 2006 the industry created 669 000 jobs in Europe (accounting for 7,5% of total job creation). The question is how many of these jobs would have been created anyway if agency work were not available. Eurociett (2007) estimates the net job creation on 80% or 535 000. That figure is based on German research. Older research based on an international sample of employers estimated the share on 60% (Ciett, 2000). The substitution of jobs with open-ended contracts by agency work exists only in a very limited way (between 10 and 15%). Besides that the absence of agency work would lead to more internal flexibility solutions without job creation or to the simple fact that the work would not be done. The conclusion is clear. There is no discussion that agency work leads to net job creation and thus helps to increase the employment rate in a lot of European countries. However the exact strength of the positive effect is less clear.

The most obvious positive outcome is that agency

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<sup>4</sup>Different theories support this. The human capital theory focuses on the fact that taking up a temporary job can be a way to increase the human capital through work experience. It can also enlarge social networks and thus offer more opportunities to get a permanent job. Other theories are the signalling and screening theory. Taking up temporary contracts can be seen as possible signals as willing to work (positive motivation to work). It gives the employer the possibility to screen the competences of the worker.

In the next part of the paper we will further focus on the role of agency work in a transitional labour market. There is evidence or at least indications that agency work improves job mobility on the labour market<sup>4</sup>. There is a positive correlation between a high agency work penetration rate and high mobility (Eurociett, 2007). Moreover, as already stated, there is also a positive correlation between higher mobility and the employment rate.

### 3.2. The role of agency work in a transitional labour market

In the beginning of the nineties the German sociologist Günther Schmid developed a new labour market concept: the transitional labour market (Schmid, 1998). With this concept he wanted to formulate a European alternative for the liberal American model of the labour market. The American model uses price adjustments to attain equilibrium on the market. In the transitional model Schmid wants to attain the equilibrium with volume flexibility (of labour). Volume flexibility can be attained by increasing the transitions between different positions (education, working, unemployment, inactivity, retirement) or by a combination of these positions (education and working, care for family and work, retirement and work etc.). The whole concept is strongly connected with the life cycle approach. Some transitions are connected with a certain phase in life e.g. the transition from education to work or from work to pension. The concept of the transitional labour market stimulated the awareness of the importance of transitions for the functioning of labour markets. A lot of countries suffered with the transition from unemployment to work with massive long-term unemployment as a consequence.

The growing popularity of the 'employability concept' put also the attention on transitions (between jobs). Finally, the flexicurity concept (a new active balance between flexibility and security) promoted by the European Commission leads inevitably to more transitions on the labour market.

#### 3.2.1. Mobility on the Belgian labour market

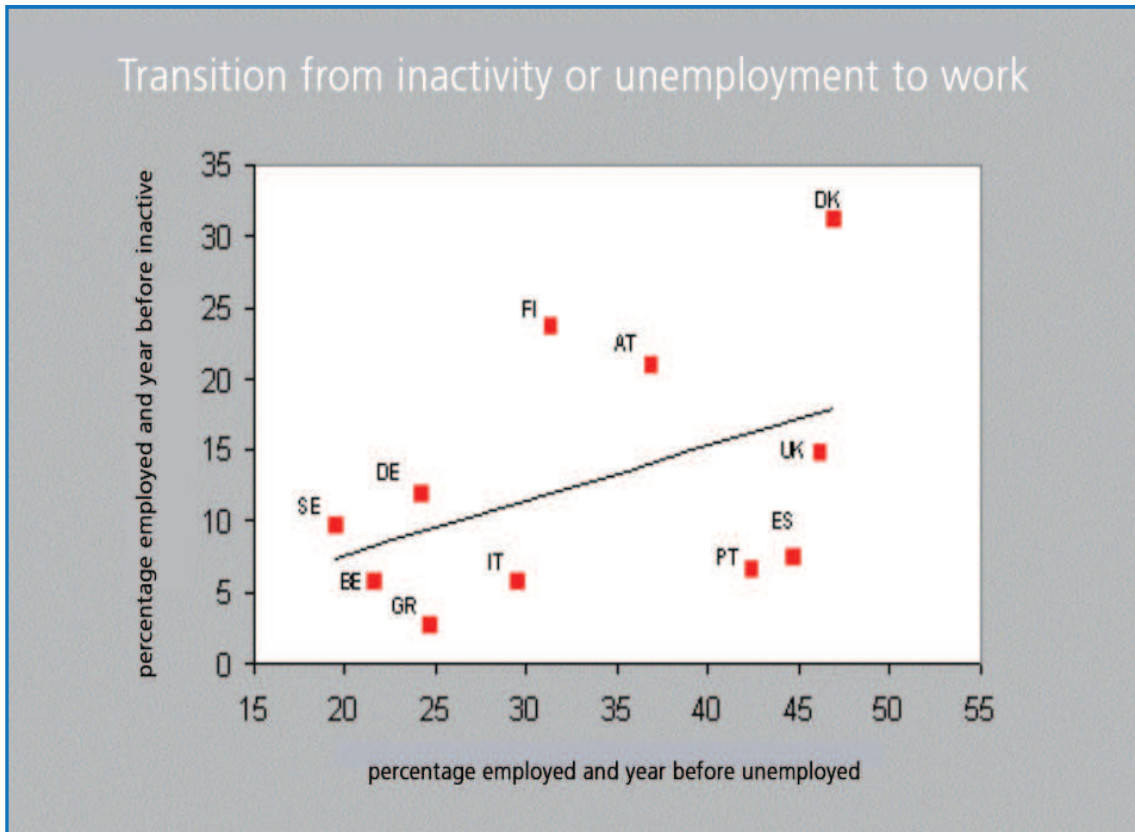
The mobility on the labour market differs strongly between European countries. In chart 1 the mobility rates between unemployment and work and from inactivity to work are shown.

Traditionally, Belgium has rather poor scores on labour market mobility indexes. This chart shows that Belgium has low scores on the transition from unemployment to work and from inactivity to work. (Hoge Raad voor Werkgelegenheid, 2007).

Denmark and the UK are the European countries with the highest mobility scores. There is a strong positive correlation between the AW penetration rate and the degree of mobility (Eurociett, 2007), which at least suggests that AW reinforces job mobility.

In the next point of this paper we will focus explicitly on the role of AW in the different transitions on the labour market. We will focus on the Belgian situation but will refer to other international data if available.

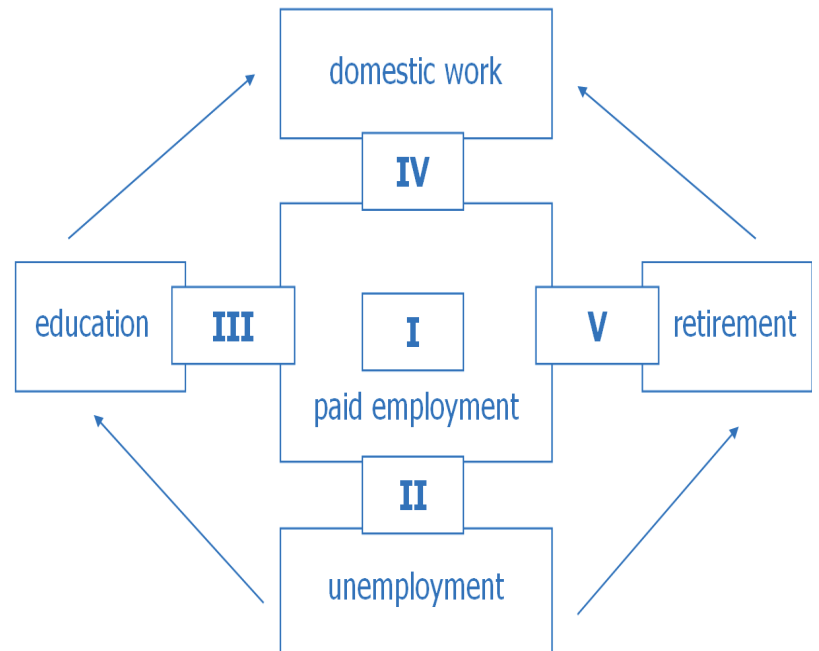
Chart 1: Transition from inactivity or unemployment to employment



Source: Hoge Raad voor Werkgelegenheid own calculations based on figures from Eurostat

3.2.2. The different transitions

As stated above we use the model of Schmid to describe the different transitions.



### I. Transitions from work to work

It is common knowledge and accepted that AW work plays an important role in the transition from school to work and from unemployment to work. It is less known that AW is also important in the transition from work to work. Unfortunately there are no data available which define the share of agency work in this transition. However there are recent data available of the positions of agency workers before and after the AW assignment. (Idea, 2007). Before the assignment 44% of the agency workers did work. One in four worked already as an agency worker, the rest worked with a permanent or a temporary contract. There are interesting differences between the Belgian regions. In Flanders almost one in two (47%) agency workers worked before the assignment. In Brussels and Wallonia the share was only 37%. The reality behind these figures is complex. In some cases the person was dismissed and applied for an agency job during the period of notice. In other cases the person uses agency work to change jobs.

After the AW assignment 75% was at work (63 with a fixed term or open ended contract and 12 % with another AW assignment). The regional differences also exist here. Flemish agency workers work more after their assignment than the Brussels and Wallonian colleagues. The simple fact that employment before and after the AW assignment increases from 44 till 75% is already a strong indication of the stepping stone function of agency work. However there is also a clear revolving door effect. People use agency work to switch from job to job.

In the transition from agency work to other work are three mechanisms in play (Atkinson, 1996). Very important is the direct internal way. Agency workers are hired with the intention to recruit them. The AW assignment is used as a screening period. A second mechanism is the indirect internal way. A lot of vacancies are only published internally.

<sup>5</sup>There is no reasonable explanation for this important difference between France and Belgium besides the fact that in the Belgian research students are excluded and in the French research they are included. But even then the big difference between the two countries stays.

<sup>6</sup>The Dutch figure is influenced by the high share of students (40%). In the Dutch figures the students are included. This is not the case in the Belgian figures.

For these vacancies agency workers are in a better position than the outsiders. The third mechanism is the external route. Agency workers acquire skills and competences that can be used for other vacancies. Research shows clearly that the possibility to acquire work experience and new skills is a very important motive for agency workers to choose for agency work (Idea, 2007). In 50% of the cases agency workers find work via the internal way (direct or indirect). This share is higher in Flanders than in Brussels and Wallonia.

International comparisons are difficult because of methodological differences. The already mentioned Eurociett report refers to the French situation where only 6% of the agency workers worked before the AW assignment. After the assignment the employment rose to 64%<sup>5</sup>. In UK the share of employed workers is 61%. In the Netherlands the share is only 34%, in Spain 26%<sup>6</sup>. International research revealed already in 2002 that a lot of agency workers worked before their assignment and that the integration role of agency work should be put into perspective (Storrie, 2002). That means that Belgium is no exception and that the revolving door function of agency work is an international phenomenon.

Unfortunately there are no data available which stipulate the share of agency work in the total transition from work to work. In general the transition from work to work is more important than the transitions from unemployment to work and from school to work although the economic cycle plays an important role here. The transition from inactivity to work is almost marginal in most countries.

### II Transitions between unemployment and work

As already stated in this paper the role of agency work in the transition from unemployment to work is widely accepted. Part

of the acceptance in society of the industry has to do with the growing awareness that agency work has a stepping stone (or an integration) function not only for unemployed people in general but also for disadvantaged groups like elderly people, ethnic minorities and long term unemployed.

Only 25% of all agency workers in Belgium were unemployed before the AW assignment. Regional differences are again important. In Wallonia the share of unemployed is 40%, in Brussels 33%, in Flanders only 18% (Idea, 2005). In general one third of the unemployed was less than 3 months unemployed before starting in AW assignment, another one third was unemployed between 3 and 12 months and the last third was long term unemployed. The last result is indeed an indication that agency work plays a role for disadvantaged groups. There are also indications that the share of long term unemployed in AW is rising (Idea, 2007). This has probably to do with the decreasing unemployment between 2003 and 2007. The share of 'older' AW is also rising. In 2001 only 6% of agency workers were more than 45 years old. In 2007 the share was already 11%. The share of older AW increased more than newly employed 45 plus in general (Sels, 2008)<sup>7</sup>. However it's not clear if that finding is also applicable for those agency workers who were unemployed before the AW assignment. The share of ethnic minorities is also higher in the AW population. In 2007 15% of agency workers had not the Belgian nationality (9% other European Union country and 6% non European Union country) (Federgon, 2008)<sup>8</sup>. But again, this finding is only applicable for all agency workers. A comparison with the Netherlands reveals that the share of older workers and ethnic minorities is higher (respectively 12% and 14%) (ABU, 2007).

For Belgium there are no data available which show the share of agency work in the global transition from unemployment to work. Research revealed that already in 2000 50% of all unemployed were registered with an employment agency. (Doyen et al, 2000) Recent Dutch research shows that between 2001 and 2005 agency work was the entry channel on

the labour market for one in three (Heyma, et al. 2008). That figure shows the important impact of agency work in the Dutch labour market. The more mature agency work market and the lower unemployment rate in the Netherlands make it difficult to transpose this figure to the Belgian situation.

Methodological differences make it again very difficult to compare with other countries. In France, more than half of all agency workers seemed to be unemployed before the AW assignment. (Eurociett, 2007)<sup>9</sup>.

However a lot of research is conducted the last decade to test the stepping stone function of agency work. Almost all research confirms the stepping stone function of agency work. One exception is Spain.

The reality behind these statistical figures is again complex. Most unemployed people are using agency work as a mean to find a permanent job. Others combine agency work and unemployment as a personal strategy. They accept only certain agency job offers (specific employer, high wage, not during holiday period etc.)<sup>10</sup>. Still others are simply not able (physically or mentally) to work continuously.

It is also important to describe the transition from agency work to unemployment. There is no doubt that the chance to become unemployed is bigger with an AW contract than with a permanent contract. However the probability to become unemployed after an AW contract is much lower than commonly expected: 17% in general (again higher in Brussels and Wallonia and lower in Flanders). In 2003 the figure was 21%. This decrease has probably to do with the decrease in unemployment in general.

With 25% of agency workers unemployed before and only 17% after the AW assignment this is an indication (in combination with the increasing employment rate before and after the assignment) again that agency work fulfils a stepping stone function. More detailed analysis shows that the chance to become unemployed after an AW assignment is less than 10% in general if the agency worker was before employed or school leaver. In the cases where the worker was unemployed before

<sup>7</sup> The share of 45 plus in all recruitments rose from 10,1 till 12,4 between 2002 and 2006 (an increase of 22,7%). In the same period the share of 45 plus in agency work rose from 7,5% till 9,5 (an increase of 26,7%) (Sels, 2008).

<sup>8</sup> In the total labour force this figures are 8% in total (6% EU and 2% non EU).

<sup>9</sup> See also footnote 6. There are no reasonable explanations for this difference.

<sup>10</sup> In Belgium the user pay system is used. This means that the agency worker gets the same salary as a comparable worker in the client company. Since sectoral wages can differ the consequence is that agency work wages can differ also.

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the assignment the chance to become unemployed after is 30%. This seems a relative high figure but this means that the unemployment rate decreases from 100% before till 30% after the assignment. Even in this transition there is a strong indication of the stepping stone function of agency work.

The decreasing unemployment and increasing employment rate after the AW-assignment is only an indication of the stepping stone function of agency work but is not scientific evidence in the strict sense. Fortunately a lot of international research is available which tested the stepping stone function of temporary contracts. In general the stepping stone function of temporary contracts is mostly confirmed in most countries. This means that temporary employment contracts have a higher transition to permanent contracts than a situation of unemployment. Evidence for this hypothesis is found in Germany (Hagen, 2003), the Netherlands (Zijl et al., 2005), UK, Italy (Gagliarducci, 2004), Sweden (Larson, et. al., 2005) and Belgium (Fourrier, et. al., 2004, Göbel et al., 2008). Spain figures as an exception probably because of the high share of temporary contracts in that country which makes a transition to permanent contract by definition more difficult. These positive results need at least two differentiations. First of all the step stone effect is not valid for all subgroups and under all circumstances. In some countries different (or less outspoken) outcomes are found on type of temporary employment contract, different regions, age, gender, qualification, former history of the employee and motivational factors. So, in some cases temporary contracts can indeed function as a dead end. Secondly almost all research is based on temporary contracts in general. It's not clear if all results apply also for agency work. Italian research on the stepping stone function of agency work confirmed this function (Ichino et al., 2004) but it's undeniable that more research is needed on this topic.

### III Transitions between education and employment

The fact that agency work plays an important role in the transition from school to work is already well

known and also well documented.

For Belgium (Flanders) the transition from school to work is the only one where the share of agency work is measured. Research revealed that agency work is an important entry channel on the labour market for school leavers (Sonar, 2008). In general 47% of all school leavers apply for an agency job after leaving school. This figure is increasing over time. Youngsters born in 1976 applied in 41% of the cases, the ones in 1978 in 46% and the ones in 1980 in 57%. This increasing appliance rate is congruent with the increasing penetration rate of agency work. Almost one if five (19%) male and one in eight (13%) female school leavers find a first job via agency work (table 4).

**Table 4 How did school leavers find their first job?**

	Male	Female
Public Employment Service	6,7	7,8
Private agency	18,7	12,9
Personal relations	23,3	18,9
Direct applying	12,5	19,8
Employer initiative	8,3	9,9
School	5,8	6,1
Add paper	6,2	7,3
Apprenticeship	8,3	9,1
Add internet	1,9	1,7
<b>Jobfair</b>	<b>1,1</b>	<b>0,9</b>

For male school leavers agency work is the second most important entry channel (after personal relations), for the female colleagues the third (after personal relations and direct apply).

The share of agency work as entry on the labour market is increasing. The share of cohort 76, 78 and 80 was respectively 13, 16 and 19%. The increasing penetration rate of agency work is thus also reflected in the transition from school to work.

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<sup>11</sup>The others were working (70%), returned to education (18%) or were still in the AW assignment.

<sup>12</sup> 2% of all agency workers are persons who finished a professional training. They are not included in the 25%.

<sup>13</sup> In the Netherlands and France all working students are included in the figures. In Belgium working students have a special statute. They are not included in the figures of the AW population. If working students are included in the figures then the share of all students (working students and school leavers) in

The share of agency work as entry on the labour market is also higher for youngsters leaving with a secondary education (share between 20 and 25%). For the colleagues with a masters or bachelors degree the share decreases till 7%.

A last important finding is that agency work is the third most effective entry channel for youngsters.

**Table 5 Effectivity rates of entry channels**

	Effectivity rates
Personal relations	53,8
Direct applying	29,0
Private agency	39,0
Public Employment Service	12,9
Add newspaper	13,7
School	49,6
Add internet	6,8
Jobfair	10,4

Effectivity rate: proportion between those who were applying via an entry channel and those who were finding a job via the same channel.

As already mentioned for transitions I and II the reality behind this figures is rather complex. For a lot of youngsters agency work is considered as an entry gate for the labour market. The majority of youngsters had experience with agency work as a student. Other youngsters do agency work in order to save money for the world trip they want to make. Still others are students who interrupt their studies during the academic year. The choice for agency work as an entry gate is a rational one. Only 10% of school leavers became unemployed after the AW-assignment<sup>11</sup>. Other research confirmed the stepping stone theory of temporary contracts in general for school leavers (Göbel et al, 2008).

The share of school leavers in the AW population in Belgium is 25%<sup>12</sup>. In the Netherlands the share of students (not school leavers) in the agency population is 44%, in France 33 %. International comparisons are difficult because of the different

statutes of student work in different countries<sup>13</sup>.

### IV Transitions between work and house keeping (or inactivity)

In developed labour markets the transition between work and house keeping (or inactivity) is poorly developed<sup>14</sup>. The same is true for Belgium. Only 3% of all househusbands or wives between 18 and 65 made the transition to the labour market in 2000. In 2003 only 4% of all agency workers was inactive before the assignment. In 2006 the figure is still 4,5% (Idea Consult, et al.)<sup>15</sup>. That means that even a tight labour market hasn't a major impact on this transition<sup>16</sup>.

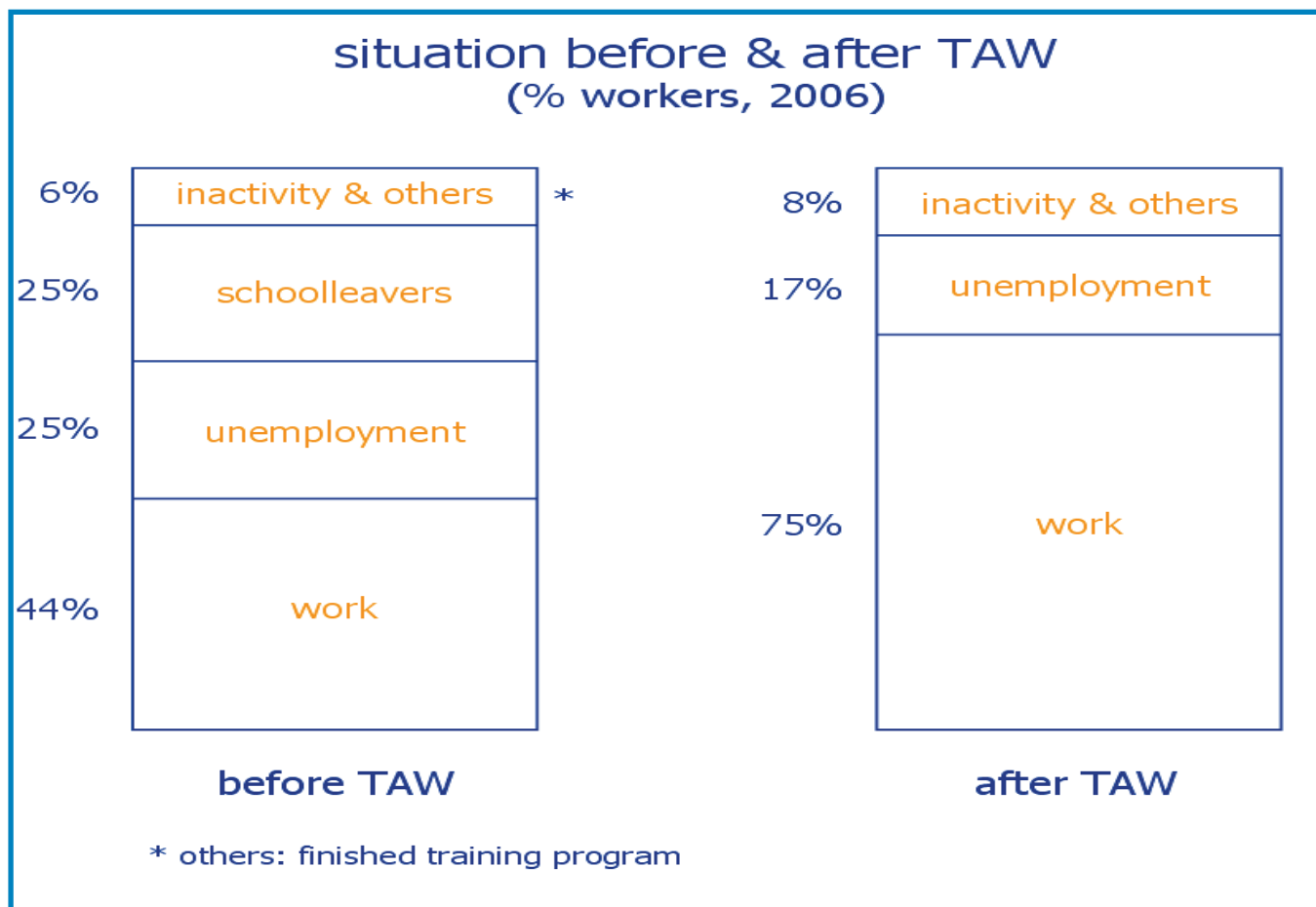
International figures reveal the same trend<sup>17</sup>.

### V Transitions between employment and retirement

As already mentioned the share of older agency workers is rising. In 2001 the share of 45 plus was only 5,5, in 2007 it doubled till almost 11%. The rising share of older agency workers is an international trend (Ciett, 2007). However agency workers older than 50 plus are still a rarity on the Belgian and other international markets. That means that agency workers are almost absent in the transition from employment to retirement. In the future this share should increase. We expect more people to combine retirement and work. A major reason is that retired people nowadays wish to keep their standard of living. For some this will only be possible by taking up work after retirement. Agency work is in a good position to take a part of that market.

An overview of all transitions is made in chart 4. The chart makes clear again that agency work fulfils a stepping stone function on the labour market. The share of unemployed people decreases from 25 (before) till 17% (after) the assignment. The share of employed people increases from 44 (before) till 75% (after). If we consider unemployed, school leavers and inactive people as outsiders of the labour market then the stepping stone function is even more outspoken. The share of outsiders before the AW assignment is 56%, after the assignment it is 25%.

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### 3.3. Conclusions

In this part of the paper we measured the importance of agency work in the different transitions on the labour market. The following conclusions can be drawn.

1. Agency work is present within all transitions with the exception of transition V (from work to retirement). The share of agency work within these transitions is substantial. In transition III the share is 19% for male and 13% for female school leavers. The shares within transition I (from work to work) and II (between unemployment and work) could not be measured but Dutch figures indicate that these share are probably even higher.

The simple fact that agency work is present within these different transitions gives already an idea of the global impact on the functioning of the labour market in general. This finding gains power if one considers the growing awareness of the importance of smooth transitions on the labour market.

2. The fact that agency work is present in these different transitions has important implications. It means that agency work fulfils different functions on the labour market. Agency work functions as an entry gate for both unemployed and school leavers. There are strong indications and even evidence that it functions as a stepping-stone for both unemployed and school leavers. The change to become unemployed after an AW assignment in

the total AW population would be 47% (95 000 school leavers and 159 000 working students).

<sup>14</sup> In Belgium this transition is strongly supported by public policy. Workers have the right to take a (paid) career break without losing their jobs. In 2007 more than 220 000 workers took a career break in Belgium.

<sup>15</sup> In these figures retired people are included. In this paper we consider the transition between employment and retirement as a different one but no figures concerning agency work are available on this

transition.

<sup>16</sup>At first sight a comparison between Flanders and Wallonia confirms the impact of the global labour market situation on the transition between inactivity and employment. The share of inactivity is in Flanders (5,2%) higher than in Wallonia (2%). But the share is in Brussels (4,9%). So there is no real empirical evidence until now that a tight labour market encourages transition from inactivity to employment.

<sup>17</sup> An international (France, the Netherlands, Spain, UK and Germany) research of Ciett (2000) measured the share on 4%. More recent data are not available

Belgium is only substantial if the person was unemployed before the assignment. But even in this case the change drops from 100 till 30%. In all other cases the change to become unemployed is 10% or less. But there is more. The presence in transition I reveals another function of agency work. It fulfils a revolving door function and in certain cases also a preventive function (it avoids that someone becomes unemployed). This finding has also consequences for the profile of the agency worker. That profile is much more heterogeneous than often stated. The same person uses agency work in different transitions and thus in different stages of the career. There are also indications that the cultural acceptance of agency work is higher in countries where it is used as an intermediate between two jobs. In these cases one can't label agency work as a kind of last resort for a desperate unemployed person.

#### 4. Policy implications

In this paper we described the positive effects of agency work on the employment rate and on the mobility of workers on the labour market. In this way policy implications are quite obvious. If agency work generates positive effects then there are no reasons to maintain the current barriers on it. This is also an important rationale of the current Directive on Agency Work that is currently under treatment by the European Commission and parliament. The most important barriers for agency work have to do with reasons of use of agency work, sectoral bans, length of assignments, renewal of contracts, limitation of the range of services provided by agencies. For Belgium the most important barriers are the partly public sector ban and the limited reasons of use. If all unjustified barriers would be lifted then the industry could create an additional 570 000 jobs in most important agency work countries in Europe by 2012. In Belgium 45 000 jobs could be created (Eurociett, 2007). This consequence would be beneficial for the employment rate but also for the mobility of workers, unemployed and school leavers. It is reasonable to presume that an increasing penetration rate of agency work in general would further enhance the share of it in the different transitions. It is also reasonable to presume that a growing share facilitates further the transitions.

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