

# TEMPORARY AGENCY WORK: A STEPPING STONE TOWARDS PERMANENT EMPLOYMENT, ALSO FOR DISADVANTAGED GROUPS?

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## 1. Abstract

In the last twenty years the temporary agency employment sector in Belgium as well as in Flanders saw some strong growth. For example, in 2007 approximately 380,000 temp agency workers were working in companies across Belgium representing 187 million hours of work. This study focuses on the role that the temporary agency employment sector can play in the flexicurity strategy, in which an attempt is made to reconcile flexibility and security, with particular attention to the situation of temporary agency workers from disadvantaged groups.

This study for the first time ever determined the proportion of individuals from disadvantaged groups (immigrants, over 50s, disabled persons and unskilled workers), as defined by VDAB (the Flemish Public Employment Service), in the entire temp agency worker population by linking various administrative databanks.

The results indicate that jobseekers from disadvantaged groups are offered real opportunities in the labour market through temp agency work, especially unskilled workers and immigrants. Next to this temp agency work is not a trap, in which jobseekers are mired for the long term. This conclusion also applies to jobseekers from disadvantaged groups. The study found that higher percentages of temp agency workers moved on to permanent employment in comparison with a control group of other jobseekers suggesting that temp agency work can serve as a stepping stone to permanent employment. Other explanations may also play a role, such as the motivation effect, the work experience gained and the use of temporary agency work as a recruitment channel by employers. The increased percentages of workers who move on to permanent employment also apply to unskilled temporary agency workers and - to a lesser extent - to immigrant and disabled temporary agency workers. In the group of over 50s there were no indications that temporary agency work would increase their chances of permanent employment.

### **Key words:**

Disadvantaged groups; Temporary agency work; Permanent employment; Recruitment; Training

## 2. Study objectives

The following research questions were answered in the study:

1. "Is temporary agency work usually an asset for moving on to permanent employment or do temp agency workers tend to work in this temporary circuit for longer periods of time?"
2. "What is the proportion of disadvantaged groups (diversity) in temporary agency work? To what extent is temporary employment a stepping stone to permanent employment for them?"
3. "To what extent do companies use temporary agency work as a flexibility tool, to which extent do they use it as a recruitment channel (additional trial period) for potential employees? Do these customs vary depending on the profile of employees concerned (high- or low-skilled, disadvantaged groups, ...)?"
4. "What training opportunities are offered to temporary agency workers? Do they receive sufficient training opportunities (e.g., through on the job training, education via the industry or the user's industry)? Does the industry require additional instruments/incentives for training?"

### *Clarification of key concepts*

**CLA:** Collective labour agreement

**CVS:** The client tracking system for jobseekers used by the Flemish Public Employment Agency, VDAB

**Dimona:** Employee registration system of the National Office for Social Security (federal level)

**Flexicurity:** Policy or strategy which seeks to reconcile flexibility with security

**Disadvantaged groups** as determined by the Flemish Public Employment Agency, VDAB: immigrants, unskilled workers, disabled persons and the elderly (over 50s)

**UJ:** Unemployed job seekers

**VDAB:** Flemish Service for Employment and Vocational Training, the Flemish Public Employment Service  
**VFU:** Training fund for temporary agency workers, joint training fund of the temporary employment sector  
**Flemish diversity plans:** Policy measure by the Flemish government aimed at encouraging businesses, organisations and (local) authorities to offer disadvantaged groups more opportunities in the labour market  
**Flemish employment premium 50+:** Policy measure by the Flemish Government to reduce the wage cost for companies when hiring over 50s

### 3. Methods and data

Figure 1 shows how different methods were combined for answering the study questions, namely desk research, a survey among Flemish companies employing temp agency workers, interviews and an econometric analyses of administrative data.

#### 3.1 Survey among Flemish companies employing temp agency workers

During February 2009 a telephone survey was conducted targeting 453 Flemish companies with at least 10 employees, who had used the services of temp agency workers in the past two years. Two quota variables were fixed, namely the company's size and the industry in which it operated. Within each size category (10 to 49 employees, 50 to 99 employees and > 100 employees) 151 companies were surveyed respectively. Furthermore, the companies were also equally divided between the industrial sector and the services sector.

They were asked questions relating to the following aspects:

- the frequency and period of employment of temporary agency workers and the relative importance of temporary agency workers in their company,
- their motives for employing temporary agency workers;
- the training offered to temporary agency workers.

#### 3.2 Interviews

Several stakeholders were interviewed in the frame of this study (face-to-face or by telephone). The list below includes the organisations that have been interviewed as well as the topics that have been discussed during the interviews:

- temporary employment agencies: motives for the use of temporary agency work, disadvantaged groups and trainings for temp agency workers;
- federation of temporary employment agencies: recent developments in terms of the motive for recruitment;
- trade unions: motives for the use of temporary agency work, disadvantaged groups and trainings for temp agency workers;
- sectoral training fund: training for temp agency workers.

#### 3.3 Data analysis

A unique data set was created by linking administrative databases (see chart 2) in which the employment situation of persons who worked as temp agency workers in 2005 were followed over a three-year period (6 measurement points in the period 2006-2008).

The starting point of the analysis consists of all the subjects who performed at least 1 hour of temp agency work in 2005 (not including student employees). Only temp agency workers who resided in Flanders were included in this sample in view of the fact that this study focuses on Flanders.

Information about the worker's educational level, ethnicity and whether or not the subject is disabled is necessary to identify disadvantaged groups. This information was obtained by linking the database of temporary agency workers in 2005 to the VDAB's CVS data. 196,656 unique Flemish temp agency workers in a total population of 210,045 were linked to a VDAB file in 2005.

Finally, a link was established with the Dimona databank to obtain employment data about temp agency workers who were active as such in 2005. These employment data relate to the period 2006-2008.

The analyses used a control group to determine the impact of temp agency work for finding permanent employment. Ideally, this control group should have the same characteristics as the group of temp agency workers in 2005, except that they did not perform any temp agency work in 2005. The control group was put together by VDAB and is made up of 63,273 persons in total who were unemployed jobseekers at the end of January 2005, who did not perform any temp agency work in 2005 and who displayed the same personal characteristics as the group of unemployed jobseekers, formerly temp agency workers in 2005 (namely ethnicity, nationality, age, education, disability, gender, time unemployed). Subsequently we examined whether the temp agency workers more or less find permanent employment, compared with the subjects in the control group, using econometric analysis.

Methodological explanation

Figure 1 : Methods used in each part of the report

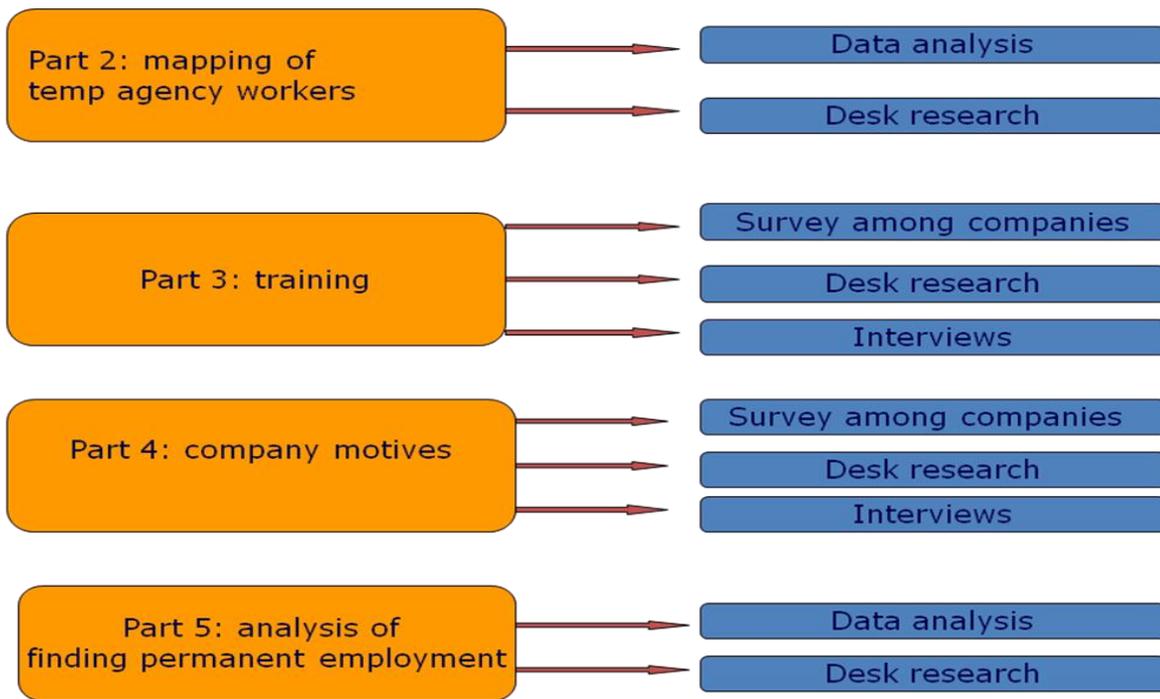
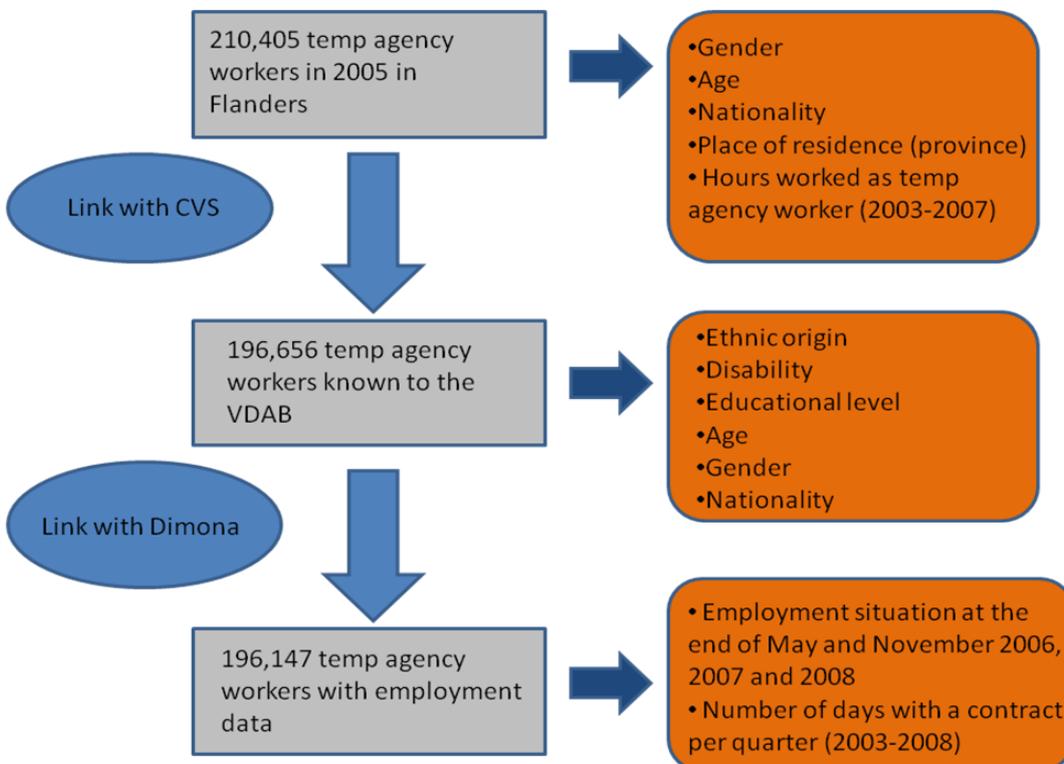


Figure 2 : Linking administrative datasets leads to the dataset temporary workers '05



## 4. Findings

### 4.1 Immigrants and low-skilled workers are overrepresented in temporary employment

By linking various administrative databanks we managed for the first time to define the proportion of people from disadvantaged groups (as defined by VDAB: immigrants, over 50s, disabled and low-skilled workers) in the entire temp agency worker population. This shows that especially the proportion of low-skilled workers (40%) and immigrants (12%) is high among temp agency workers. The disabled and the over 50s each represent a share of approximately 5%. These figures lead to the conclusion that the temporary employment sector employs disadvantaged groups, especially low-skilled workers and immigrants. The disabled and unemployed aged over 50 appear to rely on temporary employment agencies to a lesser extent.

### 4.2 Increasing educational opportunities for temp agency workers

The study also examined the training offered to temporary agency workers. The organisation of training for temporary agency workers is impeded by a number of characteristics that are specific to this industry. The main obstacles are the triangular relationship: temporary agency workers - temporary employment agency – company employing a temp agency worker, the various motives of temp agency workers for choosing temp agency work (e.g., temp agency work as a subsidiary occupation), the high mobility of temporary agency workers (employment in different industries, with various companies) and the limited duration of a temporary employment assignment.

In recent years, the temporary employment industry is increasing its efforts to improve the training opportunities for temp agency workers. An important initiative is the establishment of the Training Fund for Temporary agency workers (VFU) in 2006 as a joint organisation of the temporary employment industry. In addition to joint initiatives, individual temp agencies can also obtain funding for training through the VFU by drawing right. Next to this most of the agencies in the industry have their own training programs for their temporary agency workers, albeit with a focus on very short and job-oriented training programs. Competences have also become increasingly important in the temporary employment industry.

The training of temp agency workers is gaining in importance in companies that make use of temp agency workers, especially in the frame of the Flemish diversity plans (e.g., welcome, safety, integration in the workplace). The survey among 453 Flemish companies that employ temp agency workers demonstrated that 3 out of 10 companies funded training for their temp agency workers in the last two years.

An IBO interim (individual vocational training after temporary employment) specifically targets disadvantaged groups and comprises (maximum) 8 weeks of temporary employment followed the aforementioned training with the same employer. The results of the pilot project launched by VDAB and the temporary employment industry in this frame were well below the expectations. An important reason for this is the excessive complexity of the measure and the intense supervision required for these disadvantaged groups. Many temporary employment agencies as a result tend to not make use of this measure, although there still seem to be opportunities for a niche strategy.

### 4.3 Temporary employment as a recruitment channel

The legal motives for using temp agency workers have already long been overtaken by reality. A common practice in collective agreements (e.g., in the metal industry) is to include the condition that the temporary agency worker shall be offered permanent employment immediately after the temporary employment contract ends in the contract. As a result temporary employment has replaced the trial period of the past. Another practical example is that of the in-house temporary employment offices which agencies set up in large companies to assure the continuous inflow of new workers. Often several employment agencies supply temp agency workers to the same company. The survey among 453 Flemish companies who use temporary agency workers confirms that the recruitment motive has become the main motive for hiring temp agency workers.

### 4.4 Temporary employment: stepping stone or trap?

The last and most important topic of this study concerns the opportunities of temporary agency workers to move on to permanent employment. Practice shows that most temporary agency workers are in fact looking for permanent employment. By linking various administrative database a unique data set was created of almost 200,000 individuals, who worked as temp agency workers in 2005 and whose employment situation was monitored over a three-year period. Based on this data set it was possible to analyse the percentage of temp agency workers who moved on to permanent employment.

A first important finding is that temporary agency work is neither a pitfall nor a trap. This is demonstrated by the very low proportions of individuals who are employed in the temporary employment industry for the entire duration of the period that we studied. This observation also applies to individuals in the four disadvantaged groups, who on average are active longer in temporary employment, compared with temp agency workers who do not belong to these disadvantaged groups.

The analysis also shows that the percentage of workers who move on to permanent employment (contract of indefinite duration) is lower for temp agency workers in these disadvantaged groups. This is in line with the expectations given that jobseekers in these disadvantaged groups generally experience more difficulties when trying to find a job, among others due to their greater distance to the labour market. We used a control group of unemployed who did not work as a temporary agency worker in 2005 to demonstrate the stepping stone function of temporary employment.

Analyses of the control group show that jobseekers who start working as a temp agency worker in general have a better chance of moving on to permanent employment compared with other unemployed. This may point to temporary employment as a stepping stone to permanent employment. Other potential (additional) explanations include the motivation effect, whereby the most motivated jobseekers contact a temporary employment agency and the fact that temporary employment is a way of acquiring work experience and references. Furthermore, the transition to permanent employment may also be due to the reality that employers tend to use temporary employment as a recruitment channel.

The (positive) difference in terms of the transition to permanent employment is the greatest for the disadvantaged group of low-skilled workers. The difference in terms of the proportion of workers who become permanently employed is less significant in the groups of immigrants and the disabled and it takes some time before a positive difference can be established compared with the control group. Older temp agency workers tend to be less inclined to find permanent employment compared with the older unemployed in the control group. This may be due to different reasons. Temp agency workers who are over 50 often are not (no longer) searching for permanent employment. They consider their temping assignment(s) as a subsidiary occupation. Furthermore, the 50+ Flemish employment premium may potentially explain why the control group seems to have a better chance of becoming permanently employed.

Finally, it is worth remembering that overall there were more job opportunities in the labour market for jobseekers from disadvantaged groups in the period 2006-2008. VDAB for example feels that between 2005 and 2007 the outflow results for immigrant workers have improved more compared with the results for local workers. This can be explained by the improved economy during this period and the increasing scarcity due to a sharp decline in unemployment. Moreover, some policy measures also play a role in this trend (e.g., diversity plans). This overall increase in employment opportunities for jobseekers from disadvantaged groups may have had a restrictive effect on the difference in the percentages of the temp agency workers and the control group because the control group also performed better in terms of the transition to permanent employment.

## 5. Conclusions and policy implications

Temporary employment is governed by the Act of 24 July 1987 on temporary agency work, on temporary employment and making available employees for the benefit of users and is only allowed in three specific cases:

- to replace a permanent employee;
- to cope with a temporary increase in work;
- to implement an exceptional job.

This study shows, however, that the above law no longer takes into account the reality in which companies rely on temporary employment as a structural recruitment tool. The survey among 453 Flemish companies who use temporary agency workers confirms that the recruitment motive has become the main motive for hiring temp agency workers. The use of temporary agency work as a recruitment channel by employers is also partly why jobseekers who decide to accept temporary employment have better changes of moving into permanent employment, compared with other unemployed.

Although recruitment in principle is not allowed as a motive for hiring a temp agency worker, all the social partners recognise that in practice this motive is becoming increasingly important. The trade unions are in favour of a regularisation of the situation (the expansion of legal motives) but instead want more control over the motives and more security for temporary agency workers who are hired under the recruitment motive. The latter can for example be made more tangible by limiting the number of successive temporary employment contracts for one and the same position and/or limiting the entire temporary employment period, eliminating the trial period once the temp agency worker is offered a permanent contract, acquiring seniority rights during the period that one works as a temp agency worker, the right to a motivation if the temporary employment contract is not replaced with a permanent contract, and so on. The social partners are thinking about recognising the recruitment motive as a full motive and to consider temporary employment as one of the possible paths on the road to permanent employment, including for disadvantaged groups.

### *Full reference of study report*

**Peeters, A., Van Pelt, A., Valsamis, D., & Reyman, D. (2009). *Uitzendarbeid: opstap naar duurzaam werk, ook voor kansengroepen?. Ideaconsult.***