

Agency workers on the move

The composition of the agency worker population in good times and bad

Summary

ECORYS

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Preface

On behalf of ABU, the Dutch association of private employment agencies, ECORYS conducted supplementary analyses of data from the so-called Agency Workers Inflow Study (*Instroomonderzoek Uitzendkrachten*). These analyses have been performed since 1991 and by ECORYS since 1993, also on behalf of ABU. The most recent measurement relates to the year 2008, the year of the credit crisis. The details of 45,000 people doing agency work during that period were analysed.

The development of the inflow of agency workers in terms of scope and composition was studied in the period from 1993 to 2008. Trends were established statistically and structural and economic influences examined.

The study was carried out by econometrists Prof. Marcel Canoy, Dr. Martin van der Ende, Erwin Hazebroek and Vincent Thio, with Peter Donker van Heel as project leader.

The study was supervised by Leonie Oosterwaal and Aart van der Gaag, policy officer and director of ABU, respectively.

The study report is two-part. This part comprises a summary of the study. An extensive report has been published separately, in Dutch.

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1 Introduction

1.1 Background

The social position of private employment agencies (PrEAs) in the Netherlands has changed radically in recent years; they have undergone a process of emancipation. In the 1960s, the government was reluctant to accept PrEAs in the Netherlands. In the 1970s and 80s, doubts among the trade unions still had to be dispelled. Since then, however, the industry has secured an accepted position within labour market policy. More and more forms of public-private partnership were created, such as the Compensation Scheme for Agency Work (*Vergoedingsregeling Uitzendarbeid*), the Framework Regulation on Agency Work (*Kaderregeling Uitzendwerk*) and the Vacancy Offensive of the Centre for Work and Income (*Vacatureoffensief*). The industry played an important part in the formation of legislation on the subject of work in the form of the Flexibility and Security Act (*Wet Flexibiliteit en Zekerheid*) during the 1990s. In the following ten years, the primary processes of the public employment services (PES) and PrEAs became increasingly interwoven. Now, the agency work industry is a widely recognised factor on the Dutch labour market.

As employers, PrEAs in the Netherlands provide work for large numbers of people; as a sector, they are the largest employer in the Netherlands. They have on their books a substantial number of people who are a sizeable distance from the labour market. A fair number of agency workers find permanent jobs with hiring companies, jobs they would hardly have found had it not been for the agencies.¹ PrEAs therefore have a function on the Dutch job market that goes beyond that of providing agency work.

The impact of the current crisis has brought agency work further to the forefront of discussions than was the case in the years before. One conclusion reached by the Federation of Netherlands Trade Unions (FNV) in their study “Agency workers in a time of crisis”, was that “the facts show clearly that much has to change for agency workers in times of crisis. Based on these results, both benefits agencies and employers need to put their thinking caps on. There are limits to flexibility, limits that have been overstepped in recent years with the growing numbers of flex workers.”

The perception is that in good times, agency work acts as a lubricant of the labour market but as soon as things get worse, it becomes clear that agency workers have far fewer rights than permanent staff.

¹ *The inflow of agency workers, 1991 up to and including 2008.* ABU publication. Carried out by ECORYS since 1993.

When it comes to forming an opinion about agency work, it is a matter of whether you consider the glass half-empty or half-full. Half-full means that agency work is a useful stepping stone onto the regular labour market, allowing companies to be flexible in their response to fluctuations in demand. Half-empty, therefore, means this is a sector in which agency workers do not have equal rights and are regarded as second-rate employees.

Such perceptions prompt us to stand back and reflect. What is the role of agency work on the labour market? How does it change over time? What changes does the credit crisis bring about? In this report, ECORYS reflects on these issues.

The changes in the sector not only concern the scope but also the composition of the population of agency workers. Firstly, this has to do with the fact that agency work is temporary and that there are always new people to do that work. Agency work also depends on the economy. Moreover, there is a link between supply and demand on the labour market. And the position of PrEAs on the market changes, as we have seen, making it much easier to reach certain special target groups.

1.2 Study objective

The study objective is to arrive at a quantifiable conclusion with respect to the changes in the composition of the population of agency workers. Special attention will be focused on certain target groups, constituted by people who are some distance from the labour market. Specifically, these are the elderly, ethnic minorities, the long-term unemployed and people with work disabilities. The effect of the economy (the business cycle) on the composition is a central focus of the study.

Studying the composition of the population and its relationship to the economy contributes to a more specific clarification of the importance of the agency work sector for the labour market. This is a topical issue, given the current credit turmoil. With regard to perceptions, it is important to distinguish between facts and analyses. This study contributes to a further advancement of facts and analyses in order to create a sounder baseline for public debate.

1.3 Defining the problem

The question here is how the composition of the agency worker population has changed over time. Does this group contain more or fewer people at a greater distance from the labour market? Does the data reveal any trends? How does this development correlate with developments, structural or otherwise, on the labour market? What impact does the economy have on the composition? Are there any explanations for this? The central definition of the problem is as follows:

How did the inflow of agency workers develop in terms of scope and composition in the 1993-2008 period?

This definition translates into the following research questions:

1. To what extent are the changes in scope and *composition* of the inflow of agency workers in the period under discussion structural or economic?
2. To what extent are changes with regard to the *chances of remaining in agency work* at the end of each calendar year in the various categories of agency workers in the period under discussion structural or economic?
3. To what extent are changes with regard to *chances of finding permanent employment* in particular with the hiring company, in the various categories of agency workers in the period under discussion structural or economic?
4. What lessons can be learned from *national and international research* about the social and economic functions of temporary work?

Concerning agency workers, we will analyse specific features of the target group (age, ethnicity, duration of unemployment, work disability), correcting for double counting. While the target group share is examined as a core variable, specific groups within that target group are also examined. We include other variables such as gender, education, job search motive and phase classification (accrued rights) as background variables. We have used econometric analyses of a unique database populated with information about over 45,000 individual agency workers during the 1993-2008 period. We refer to the main report for methodological accountability.

2 Results

The analyses consist of five parts. First, we consider the development of the inflow of agency workers. This is followed by a discussion of the composition of the population and more in particular, the share of target groups therein. Thirdly, we look at the role played by agency work on the labour market. The fourth section is about the relationship between agency work and the economy, with particular attention to the various target groups. Lastly, we look at the total picture.

2.1 Development of agency worker inflow

The statistical analyses show a rise in the number of hours worked but also a certain levelling out of the inflow of workers (persons). The average length of time worked per person in temporary positions is increasing therefore. Up to and including 1998, inflow has grown each year in terms of numbers of people, but dropped after that.

Table 2.1 Paid hours of agency work and inflow of agency workers (1993-2008)

Year	Agency work hours (x 1 million)	Index agency work hours	Inflow agency workers (x 1,000)	Index inflow agency workers	Average duration of agency work (hours)	Index average duration of agency work
1993	165	100	569	100	290	100
1995	253	153	648	114	390	135
1996	306	185	741	130	413	142
1997	351	213	769	135	456	157
1998	372	225	782	137	476	164
1999	325	197	771	136	422	145
2000	380	230	746	131	509	176
2001	371	225	725	127	512	176
2002	352	213	650	114	542	187
2004	326	198	615	108	530	183
2006	437	265	730	128	599	206
2008	502	304	734	129	684	236

Source: Statistics Netherlands and Employment Agency Workers Inflow Study 2008 (ECORYS adaptation).

The levelling-off in the growth of the inflow and the increase in the average duration of agency work is in part related to the introduction of the Flexibility and Security Act on 1 January 1999. Since then, more opportunities exist for other forms of flexible work, for employers and employees. It is probable that since the introduction of the Act, employers

and potential agency workers are falling back on temporary contracts more often. Partly under the influence of developments on the labour market, PrEAs have set policies in motion by effectively holding on to their agency workers for longer by offering them permanent contracts and a longer duration of agency work. This took place as a result of, among other things, the collective bargaining agreements (phase B and C). This is a successful strategy because since the introduction of the said Act, the total measured volume of hours is still on the increase, as can be seen in the above table. Hence, PrEAs deliver more work with the same number of people.

2.2 Different types of agency workers

Characteristics of agency workers

The composition of the agency worker population is always in a state of flow. This is inherent in the fact that agency work lasts only for a limited period of time and that there are always new people doing agency work. Likewise, the position of PrEAs on the labour market is constantly changing, as a result of which different groups are addressed each time. Table 2.2 shows the very latest data.

Table 2.2 Characteristics of agency workers

2008	
Gender	
Men	53%
Women	47%
Completed education	
Lower secondary vocational, junior secondary vocational, pre-vocational secondary education	28%
Senior general secondary education, pre-university education, senior secondary vocational education	53%
Higher professional education and university education	19%
Age	
15-24	46%
25-34	26%
35-44	14%
> 45	13%
Employment situation	
Not out of work	87%
Unemployed for under a year	11%
Unemployed for over a year	2%
Occupational disability	
Full or partial work disability	1%
Student	
Still in education	46%

2008	
Home situation	
Still living at home	31%
Married/long-established relationship	39%
Single	28%
Other groups	
Sole earner	41%
Ethnicity	18%
Target group	31%
Holiday staff	15%

Source: Inflow study 2008, ECORYS.

Half of all agency workers are women, half are under the age of 25, and half are still in education. Almost three quarters of all agency workers have completed secondary education. The composition of the agency worker base changes over time; an analysis of the statistics shows a decrease in the number of women, the under-25s and semi- and unskilled categories (up to secondary vocational education). A significant increase can be found in the number of people over the age of 45, and those with higher educational qualifications (higher professional level and over). Within the inflow of agency workers, this is a growing group, whereas the group of semi-skilled and skilled people is decreasing. On average, agency workers' educational levels have risen in recent years, a development that runs parallel to that of the workforce, according to Statistics Netherlands (CBS).

Motives of agency workers

The fact is that agency workers are a highly diverse group. There are those who see this work as a stepping stone to permanent work, others are students or holiday staff. A further group comprises those people who, when active, do agency work but have neither the ambition for nor the prospect of a permanent job. There is also a reserve labour force that should not be underestimated. Apart from unemployed people there are groups who, while not directly looking for a job, are persuaded to do agency work (school children, students and women at home) during an economic boom. Table 2.3 presents the various motives in figures. The diverse motivations of agency workers should duly be taken into account when considering the perceptions about this type of work.

Table 2.3 Motive for agency work according to family situation (more than 1 answer is possible, percentages for all answers)

Type of work looked for	Lives at home with parents	Married/cohabiting	Single	Other	Total	Of which sole/main earner
To earn money	47%	32%	38%	37%	38%	36%
Permanent job by way of temporary work	17%	37%	28%	2%	28%	30%
Gaining work experience	24%	15%	16%	19%	18%	15%
Holiday job	33%	5%	16%	42%	16%	13%
Temporary work	16%	12%	18%	17%	15%	16%
Job alongside study	20%	8%	18%	38%	15%	15%

Type of work looked for	Lives at home with parents	Married/cohabiting	Single	Other	Total	Of which sole/main earner
Extra income from work on the side	6%	6%	6%	10%	6%	6%
Bridging the gap between jobs	3%	7%	8%	3%	6%	8%
Other	3%	5%	4%	1%	4%	4%
Combining work and care	0%	6%	2%	0%	3%	2%
Discharge/contract not extended	1%	4%	3%	0%	3%	3%
Work after retirement	0%	3%	1%	0%	2%	3%
Wanted a different job	1%	3%	1%	0%	2%	2%
When I work, I always do agency work	1%	1%	1%	1%	1%	1%
Need a job quickly (after study)	1%	1%	1%	3%	1%	1%
Job only through employment agency	1%	1%	2%	3%	1%	2%
Attractive/appropriate job was an agency job	1%	1%	0%	0%	1%	1%
Bridging the gap until college starts	1%	0%	0%	2%	1%	0%
No permanent job found	1%	1%	1%	1%	1%	1%
Moving home	0%	1%	0%	3%	0%	1%
Total	176%	150%	165%	181%	162%	158%

Source: Inflow study 2008, ECORYS.

Target groups

The evolution of agency work over time and the changing role of PrEAs has made it possible to address specific target groups such as older people, ethnic minorities, the long-term unemployed and the occupationally disabled, groups with relatively few prospects on the job market. For some of these groups, especially people with work disabilities, agency work is just about the only way to find a permanent job. They are faced with negative perceptions among employers and a temporary job gives them the chance to shift these attitudes and acquire a permanent position. Several studies have shown that employers hire relatively few people from these target groups in response to regular vacancies. For people with little education (up to and including pre-vocational secondary education), the chances of finding a job are pretty slim, and the chances for those over 40 are next to nothing, and lower still if they are unemployed².

Of the inflow of more than 700,000 agency workers each year, an average of about 170,000 (24%) belong to one of the four target groups. Statistical analysis has shown a fundamental growth in the share of special target groups since 2000. In other words, the share of ethnic minorities, older and long-term unemployed and people with work

² Donker van Heel, P.A., MA. Van der Ende and E. Hazebroek, *Vacatures in Nederland 2008 (Vacancies in the Netherlands 2008)*, CWI, Amsterdam, 2008.

disabilities has increased. This result is statistically significant. The development is in line with expectations in that the numbers of people in these target groups in the labour market has risen. The increase in the share of target groups in the agency worker population has kept step with the increase of these groups on the Dutch labour market. This leads to the following conclusion:

Conclusion 1: The composition of the agency worker population is constantly in a state of flow. Increasing numbers of people in special target groups are active on the labour market and hence also in the agency work sector. Some 170,000 people from among special target groups (older people, ethnic minorities, long-term unemployed and people with work disabilities) do agency work.

According to a more up-to-date definition, the share of ethnic minorities in the agency worker population is substantially higher than now reported (24% in 2008). The Employment Agency Workers Inflow Study uses the methodology of the Labour Foundation (Stichting van de Arbeid, StvdA) to define this group's share, arriving at a share of 18 per cent for 2008. For years, the Netherlands has embraced a much broader definition, namely that used by the Employment of Minorities (Promotion) Act, now defunct. We use the lower figures in our analyses, which allows us to make comparisons with the past. Given current policy, the higher figures should for all practical purposes be used, which is why we recommend doing so from now on in subsequent Agency Workers Inflow Studies. According to this updated definition, the share of target groups is therefore higher than the now reported average.

2.3 Role played by agency work on the labour market

If we are to understand the importance of developments in the sector they need to be placed in the broader perspective of the role of agency work on the labour market. We first briefly discuss what the literature says on the subject and then compare that with our own results.

Literature

In a recent study, the Advisory Council on Government Policy (WRR) concluded that unemployed people who accept agency work within three months after discharge have much greater chances of finding a job than people who remain dependent on benefits.³

Heyma and De Graaf-Zijl (2009) find that PrEAs improve allocation on the labour market and contribute to increasing labour participation.⁴ The researchers conclude that more than anything, agency work reduces the duration of unemployment, which leads to savings in benefits and an improvement of the human capital of the people involved.

³ D. Scheele et al, *Werk en inkomsten na massaontslag (Work and income after mass layoffs)*, WRR/CBS, Amsterdam University Press, 2008.

⁴ Heyma, A. and M. De Graaf-Zijl (2009), De rol van uitzendarbeid binnen de publieke arbeidsbemiddeling (The role of temporary work in public employment services). TPEdigitaal 2009 volume 3 (2) 142-162.

Storrie (2006) points out that PrEAs offer low-prospect groups a chance to enter the regular labour market⁵. It is known that by doing agency work, target groups have a greater chance of finding a permanent job. However, there is a lack of data regarding the move into permanent employment of people who have the same characteristics but who have not done agency work. ECORYS has conducted empiric research that validates Storrie's assumption. We expand on this in the following paragraphs.

A large-scale study conducted by EUROCIETT shows that people who are at a substantial distance from the labour market have more chance of finding a job if they do agency work⁶. It is argued that because agency work gives companies greater flexibility and increases permanent job opportunities for agency workers, it has helped create more jobs. According to EUROCIETT, most of those jobs would not have existed had they not been preceded by agency work.

In 2003, the European Employment Taskforce concluded that better use should be made of the growth potential of the agency work market, raising the notion that agency work is an effective stepping stone to permanent work. Employment agencies would then take up a key position as intermediaries contributing to flexibility and more job security for agency workers.⁷

Empiric results in the Netherlands

From 1993, all Inflow Studies show that each year, an average of 700,000 people start with agency work with a total of 31 per cent, some 200,000, finding a permanent position. Each year, over 100,000, or 14 per cent, find a permanent job with the hiring company. Just under a third (34%) is still doing agency work at the start of the new calendar year.

On the basis of the literature and our own analyses, the following may be concluded with regard to the role of temporary work on the Dutch labour market.

Conclusion 2: PrEAs offer work to over 700,000 people each year, a substantial number of whom would have no other work were it not for these agencies. More than 200,000 agency workers find permanent jobs, over 100,000 of whom find permanent work with hiring companies, jobs they would otherwise not have found.

Storrie's question what would otherwise have happened to these people had they not had agency work is difficult to answer. The assumption that all those who do not find permanent work through employment agencies would be unemployed is unrealistic. It is also uncertain whether people who continue doing agency work would otherwise not have found other work with employers. In this respect, an international comparison can provide more certainty regarding the relevant perspective.

⁵ Storrie, D. (2006), *Temporary agency work in the European Union*. Dublin: European Foundation for the Improvement of Living and Working Conditions.

⁶ EUROCIETT (2007), *More work opportunities for more people*. Brussel.

CIETT (2000), *Orchestrating the evolution of private employment agencies towards a stronger society*. Brussels.

⁷ Report of the Employment Taskforce chaired by Wim Kok (2003), *Jobs, Jobs, Jobs Creating more employment in Europe*.

Role of temporary work on the labour market: an international perspective

Table 2.4 shows the share of agency work and the unemployment rate in several European countries.

Table 2.4 Unemployment percentages and temporary work in Europe

	Temporary work 'penetration rate' [*]	Unemployment rate
Great Britain	4.73	5.6
The Netherlands	2.75	3.2
France	2.49	8.3
Luxembourg	2.46	4.2
Belgium	2.17	7.5
Ireland	1.66	4.6
Germany	1.61	8.4
Austria	1.46	4.4
Sweden	1.30	9.9
Finland	1.12	6.9
Norway	1.03	3.9
Italy	0.95	6.1
Portugal	0.87	6.7
Spain	0.79	16.7
Denmark	0.75	3.8
Total Europe	1.91	7.0

* Penetration rate: daily deployment of number of FTEs temporary work in employment rate.

The EUROCIETT⁸ states that a strong agency work sector results in lower unemployment figures. A link is also suggested between the use of agency work and the extent of illegal work. According to this source, a strong agency work sector can contribute to a reduction of unemployment and illegal work. According to EUROCIETT, using a study by the Italian statistics institute in 2005 as a basis, the flexibilisation of the labour market played a key part in providing thousands of people who had hitherto worked illegally with work on the regular labour market.

Despite their limited empirical validity, ECORYS regards these conclusions as plausible. A large amount of illegal work is done in Italy and Greece and the agency work sector is not a viable alternative. The European Commission estimates that illegal work made up between 7 and 16 per cent of the total European GDP in 2004, but that there are considerable differences between the countries⁹. In southern and Eastern Europe, that can be anything up to 20 per cent.

It could be argued that countries with small agency work sectors fall into three categories. In addition to the countries with a high rate of illegal work, as mentioned above, there are also those with high unemployment rates (Spain) or countries with a flexible labour market such as Portugal and Denmark.

⁸ Ibid.

⁹ European Commission (2008), *Employment in Europe Report 2008*. Brussel.

There are also countries such as Sweden (see Table 2.4) with a relatively underdeveloped agency work sector that are also not successful at finding regular work for people at a distance to the labour market. Denmark has flexible dismissal laws and it is easy to take on new staff quickly, which is probably one of the reasons why little use is made of agency workers. The Danish agency work sector has grown substantially in recent years, however, because companies are increasingly using agency work as a recruitment tool.¹⁰

In the end it comes down to the way in which countries approach finding work for people at a distance to the regular labour market. Some countries use illegal work for that, others have high unemployment rates, and in yet other countries, the option is to flexibilise the labour market. Agency work is a fourth alternative. The sector is highly developed in the Netherlands, unemployment is low and there is relatively little illegal work.

That said, two subtle distinctions need to be made. The first is that it is desirable in all cases that an effective policy to ensure regular work for target groups is in place. However, international comparisons show that it is an illusion to think that by doing so, all target groups would then have jobs. Secondly, agency work is no guarantee for low unemployment rates, as can be seen in France.

Conclusion 3: An international comparison demonstrates that in countries with well-developed agency work sectors, illegal work is minimal and unemployment rates are frequently low.

2.4 Agency work, target groups and the economy

Agency work as leading indicator

To analyse agency work and the role and position of target groups, it is important to examine to what extent agency work correlates with economic growth. ECORYS has done this on a more general level, i.e. disregarding target groups, in a previous study. A short summary of these findings is given first.

ECORYS examined whether agency work can be used as leading indicator. Essential in times of economic instability are early warning signs about stagnation and recession. Various indicators can be used to forecast economic developments. In the Netherlands, there is frequent and ample availability of up-to-date and historic information. Much economic research on agency work has been conducted, both from a labour market and an economic perspective. Hence in the Netherlands in particular, agency work figures are an excellent leading indicator.

There are three reasons why figures on agency work are so valuable for forecasting economic growth. The first is because the figures are easy to interpret. More agency workers are taken on if the economy is growing; and conversely, if the economy declines, they are the first to lose their jobs. Secondly, agency work statistics are widely available in the Netherlands and are updated monthly. Finally, literature and research show that

¹⁰ European Foundation for the Improvement of Living and Working Conditions (2002), *Temporary agency work: national reports Denmark*. Dublin.

there is a strong, real-time link between agency work and the economy: agency work statistics are more frequently and more quickly available than countless other economic indicators.

Agency work figures thereby provide a representative picture of the current economic situation and make it possible to forecast economic growth.

The chances of remaining in agency work

The chance of remaining in agency work is defined as the chance that at the start of the year following entry, an agency worker is still doing this type of work. This fact can be regarded as positive (a half-full glass): an employment agency is not a transit port and there is more job security. The indicator can also be seen as being negative (a half-empty glass): it seems that some groups rely on agency work and cannot find work elsewhere. Seen over a longer period, the average chance of remaining in agency work is 34 per cent (see Table 2.5); in other words, one in three agency workers will still be doing agency work at the start of the following year. The chances rose to a structurally higher level in the 1993-2008 period, from 25 per cent in 1993 to 33 per cent in 2008. This effect is the result of the introduction of the Flexibility and Security Act in 1999, since when agency workers have more permanent security with regard to agency work, one of the reasons being that agencies now operate a policy of holding on to their agency workers. There is a clearly visible 'kink' point in the curve showing the development of the chances of remaining in agency work from 1999 on, an effect intended by the Act. On the basis of its objective, we evaluate the development of the chances of agency workers remaining in agency work as positive.

Given that the chance of remaining in agency work is fairly stable in this target group (see table 2.5), nothing has been found to prove the assumption that during an economic downturn agency workers from among special target groups are dumped on a massive scale by employment agencies. Agency workers who are not in these target groups do, however, continue to do agency work for slightly longer, until the economy picks up.

Table 2.5 Chance of remaining in agency work, target groups versus non-target groups

	Economic slump (-3%)	Zero economic growth	Economic boom (+3%)
Target group	29	32	31
Non-target group	39	34	34
Average	36	34	33

Table 2.6 shows the chance of individual target groups continuing to do agency work. This chance is slightly higher for older people, and slightly lower for the long-term unemployed and those with work disabilities.

Table 2.6 Chance of remaining in agency work, various target groups

	Economic slump (-3%)	Zero economic growth	Economic boom (+3%)
Older people (45+)	31	34	33
Long-term unemployed	26	29	29
Work disabilities	26	29	29
Ethnic minorities	29	32	32
Average target groups	29	32	31

Chance of permanent job

The chance of a permanent job is defined as the opportunity an agency worker has of finding a permanent job with a hiring company. Seen over a longer period, the chance is an average 14 per cent, which means that 1 in every 7 agency workers finds a permanent job with the hiring company, a job that he or she would not have found without the agency. The chances for agency workers belonging to special target groups are slightly below average. There has been a general trend of permanent job opportunities increasing in recent years. The importance of PrEAs as a recruitment channel for employers and employees is therefore growing.

The chance of a permanent job with a hiring company depends on the economy (see Table 2.7). Improved economic circumstances result in a greater chance of a permanent job with the hiring company. The opportunities for the non-target group are greater than for members of the target group, irrespective of the economic situation. In an economic boom, the opportunities for agency workers who do not belong to the target group show a greater increase than for the target group. The differences between the individual target groups are not so large (Table 2.8).

Table 2.7 Chance of permanent job with the hiring company, target groups versus non-target groups

	Economic slump (-3%)	Zero economic growth	Economic boom (+3%)
Target group	6	8	11
Non-target group	8	11	15
Average	7	10	14

Table 2.8 Chance of permanent job with the hiring company, for various target groups

	Economic slump (-3%)	Zero economic growth	Economic boom (+3%)
Older people (45+)	7	10	13
Long-term unemployed	5	7	9
Work disabilities	6	9	12
Ethnic minorities	5	7	9
Average target groups	6	8	11

That agency workers' chances of remaining in agency work or finding a permanent job have increased structurally concurs with the evaluations of the Flexibility and Security Act in 2002 en 2006¹¹. In 2002, it emerged that the Act had created more space for hiring temporary staff, more succinct contracts and more job security for agency workers. The first evaluation related exclusively to a period of economic boom. A second evaluation was carried out in 2007, which also included a slump period. Here, too, it was clear that the Act increased the flexibility of companies and led to more job security for agency workers.

¹¹ Toren, J.P. van den, G.H.M. Evers & E.J. Commissaris (2002), *Flexibiliteit en zekerheid: effecten en doeltreffendheid van de Wet flexibiliteit en zekerheid*. [Flexibility and Security: effects and effectiveness of the Flexibility and Security Act], Doetinchem: Ministerie van Sociale Zaken & Werkgelegenheid [Ministry of Social Affairs and Employment]/Elsevier bedrijfsinformatie.
Knegt, R. D.J.K. Klein, H. Houwing en P. Brouwer (2007), *Tweede evaluatie Wet flexibiliteit en zekerheid* [Second Evaluation of the Flexibility and Security Act], Amsterdam: Hugo Sinzheimer Instituut, University of Amsterdam and TNO.

Based on our econometric analyses, it can be validated empirically that agency workers do indeed have greater job security thanks to the introduction of the Flexibility and Security Act. The average duration of agency work of each worker has increased significantly since 1 January 1999, the date the Act came into force. A significant ‘kink’ is also clearly in evidence when it comes to the agency workers’ chances of remaining in agency work or chances of a permanent job, both of which have increased since then.

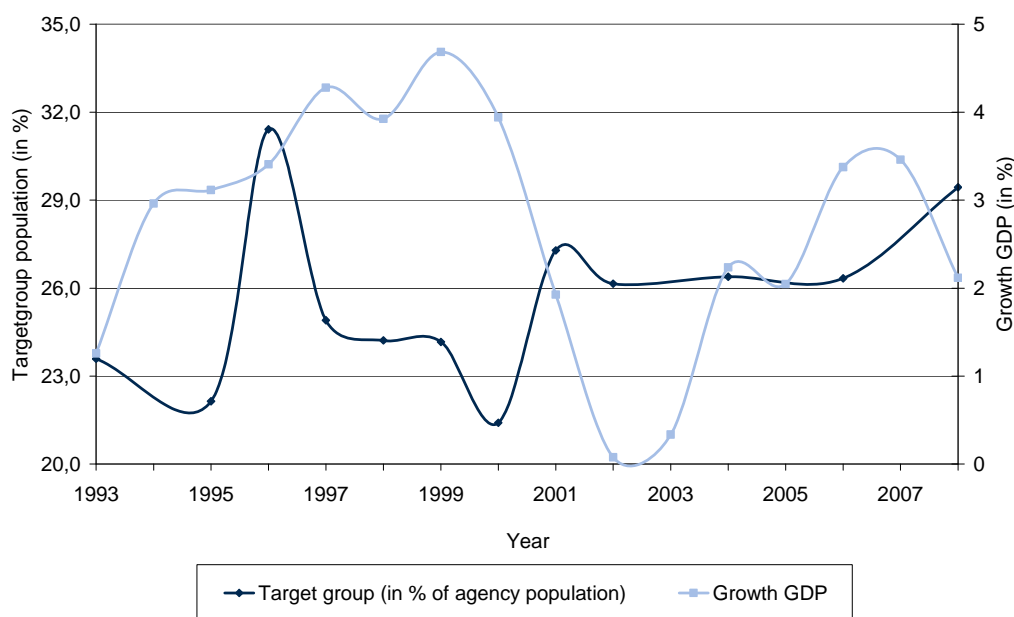
This leads us to our fourth conclusion:

Conclusion 4: Agency workers enjoy greater job security as a result of the Flexibility and Security Act. This also goes for agency workers in the target groups. However, the chances of remaining in agency work or of a permanent job depend on the economic situation.

Target groups and the economy: who and when?

The share of target groups is low in periods of economic boom and high during a slump. This inverted relationship emerges clearly in the statistical analyses (see also figure 2.1).

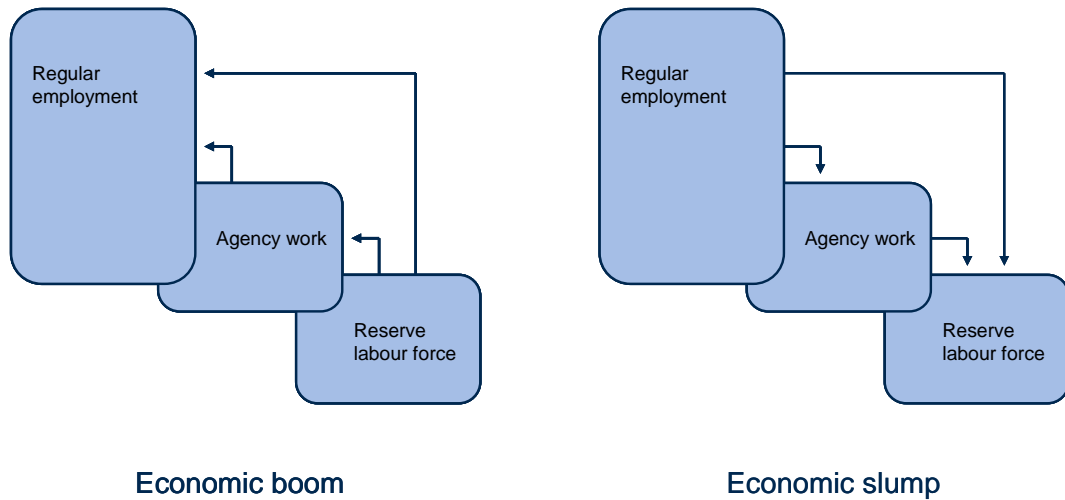
Figure 2.1 Development of share of target groups in the inflow of agency workers and the economy, 1993-2008



Source: Statistics Netherlands and ABU Inflow Study (ECORYS version).

In our opinion, the explanation for this is to be found in the motives of agency workers. The figures suggest that people from the special target groups look for a permanent job far more often than others. They find permanent work more often in periods of economic prosperity and move on to employers. In a downturn, their chances of work with employers are lower and they find agency work.

Figure 2.2 Mobility of 'disadvantaged' groups on the labour market that is dependent on the economic situation



When the economy prospers, the growing demand for agency workers is met by people from a reserve labour force. These are unemployed people and people not directly seeking work but who are persuaded to do so during a boom. This last group comprises pupils and students, women at home and foreigners (central and eastern Europe). It is expected that in a period of prosperity, this group has a greater chance of finding work on the regular labour market and in the agency work sector.

The link between the position of target groups and the economy is a complex one and one in which autonomous trends (target groups are increasingly participating in work) should be separated from economic factors. The target group share depends also on what happens to other employees on the market. If, for example, target group participation increases and that of others increases faster still, then the target group is, in an absolute sense, better off but in a relative sense less so. Besides, we have to allow for differences between individuals in a specific target group. And some measure of delay must be accounted for; effects do not become manifest immediately but over the course of time.

This brings us to the fifth conclusion:

Conclusion 5: It is precisely during an economic downturn that agencies provide work for people with few opportunities elsewhere in the labour market. During such periods, as many as 170,000 people in the target groups would be out of work or be working illegally were it not for the agencies.

2.5 Conclusion

The overall question is what PrEAs do for people who generally have fewer opportunities in the labour market. And does the credit crisis affect their position? The answer to the last question is in the negative. In fact quite the opposite is true.

Each year, PrEAS provide work for more than 700,000 people, and without them, a substantial number of these people would otherwise be unemployed or doing illegal work. On average, 200,000 agency workers find permanent jobs each year. Over 100,000 of them find permanent work with the hiring company, jobs they would otherwise not have

found. As employers, employment agencies themselves provide work and act as stepping stone to permanent jobs with other employers.

Agency worker volumes in the 1993-2008 have grown steadily. That said, the growth of the inflow of agency workers (expressed in persons) is levelling out slightly. The average duration of agency work per worker is on the increase and a statistically significant increase has been registered from 1999 on, an increase we attribute in large measure to the introduction of the Flexibility and Security Act on 1 January 1999.

The introduction date of the Act also reveals a significant 'kink' in other indicators. As of that date, the chance of remaining in agency work and the chance of a permanent job with the hiring company have increased significantly. There is an explanation for these trend breaches: it is probable that since the introduction of the Act, employers and potential agency workers tend more towards temporary work contracts, with workers being employed directly. Since then, PrEAs, partly a result of circumstances on the job market, are looking more towards holding on to their workers (by way of collective bargaining agreements, for instance). In this respect, the Flexibility and Security Act has indeed had the desired effect. Since then, agency workers have more job security, which was precisely what the Act intended.

Of the inflow of more than 700,000 agency workers each year, an average of 170,000 (24%) are from the special target groups. These are older people, people from ethnic minority backgrounds, the long-term unemployed and people with work disabilities. Our study uses a traditionally narrow definition of ethnic minorities. Applying broader – and nowadays more widely used – definitions, the target group percentage is five to six per cent higher than the 24 per cent. The share of special target groups has increased significantly since 2000, as can be seen in the statistical analysis. That means that a growing number of people starting agency work is made up of people who are expected to have less of a chance on the regular job market.

The share of target groups is thus becoming structurally larger, but is lower during periods of economic growth and higher in times of economic decline, which indicates that the economy does indeed have an impact. It is precisely in periods of a failing economy that PrEAs provide those people with work whose prospects of finding permanent jobs with employers are not so good. The explanation, in our view, should be sought in agency workers' motives. Figures show that agency workers in special target groups are more likely to be searching for permanent employment than other agency workers. They find these jobs when times are good, and then move to employers. If the economy is in decline, their chances there are reduced, and they manage to find work with PrEAs.

The chances of remaining in agency work and the chances of finding permanent jobs are slimmer than for agency workers not in the target groups. The differences are limited.

Is this a case of a half-full or a half-empty glass then? ECORYS concludes from this study that the first is more appropriate. Agency work is a stepping stone to the regular job market, also for people from special target groups. Countries with no agency work score no better than the Netherlands, and, in some respects, their situation is worse (illegal work, high unemployment rates). While this is not a reason for regarding agency work as

undesirable in times of crisis, it is important that we continue to use other instruments as well to help people at a distance from the market to find regular work. That, after all, is what at least some of the people doing agency work really want – a permanent job with an employer.