

## Contribution of agency work to well functioning labour markets should be recognised in the “EU 2020 Strategy”

### Agency work raises employment levels, enhances labour market participation and promotes social inclusion

12.1.2010

#### 1. Key points

- In the Working Document “Consultation on the future “EU 2020 Strategy”,<sup>1</sup> the European Commission has outlined key dimensions for a future European strategy, which replaces the Lisbon Strategy for Growth and Jobs. **Eurociett is convinced that agency work can provide an important positive contribution to the EU2020 Strategy.** It should therefore be recognised as important labour market intermediaries, contributing to raising employment levels, enhancing labour market participation, especially for young people and (long-term) unemployed and promoting social inclusion.
- **As for the Lisbon Strategy, the “EU 2020” Strategy should be build on several pillars**, including the creation of value by basing growth on knowledge, the empowerment of people in inclusive societies and the creation of a competitive, connected and greener economy.

**Boosting job creation and raising employment level is a key element in moving towards better functioning labour markets.** Agency work is a key driver for employment, job creation, growth and competitiveness. It provides more work opportunities for more people and facilitates the creation of jobs that otherwise would not exist. Parallel, agency work supports companies in becoming more competitive and supports them in adapting to change, including the transition to a low-carbon, greener economy. Bearing in mind this broader contribution of the contribution the agency work industry to the economy, this paper will mainly focus on its contribution to the employment dimension of the EU 2020 Strategy.

- **The agency work (AW) industry employs more than in 3.0 million workers on a full-time equivalent basis, which corresponds to total sum of 9 million workers having had an employment relationship with a private employment agency during the year as agency work acts as a stepping-stone to the labour market.** While the agency work industry has experienced major contractions of around 30% in 2009, it continues to offer work opportunities for millions of workers, thus contributing to social inclusion, particularly by facilitating transitions in the labour market.

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<sup>1</sup> European Commission Working Document: Consultation on the future of the “EU2020 Strategy”, COM (2009)647.

- **Based on its positive contribution to well-functioning labour markets, Eurociett advocates that the “EU 2020 Strategy” should include three main policy initiatives in the area of employment and social affairs:**
  - A strong call for unlocking the positive contribution of private employment agencies to job creation and well-functioning labour markets by lifting existing unjustified restrictions (such as sectoral bans in the public sector and in construction and limited reasons for use of temporary agency work, which are currently still applied in many countries).
  - Action to take advantage of the labour market expertise in developing and deepening cooperation between public employment services and private employment agencies.
  - Further strengthening the involvement of private employment agencies in active labour market policies, based on their proven stepping-stone function and their contribution in facilitating labour market access.
- The “EU 2020” Strategy is being launched against the background of an unprecedented economic, financial and labour market crisis, which European economies are currently exiting. **Therefore, new European Strategy needs to combine both a short-term (anti-crisis and recovery) and long-term perspective.** Within this strategy, a particular focus should be laid on strengthening small and medium-size companies, which are an important backbone of economic growth and job-creation in Europe. Further long-term labour market challenges that need to be addressed include the shrinking workforce in Europe (“Demographic crunch), new demands for a better work-life balance, more investment in new skills for new jobs (thus contributing to re- and up-skilling of workers) changes in the world of work. The agency work industry is committed to facilitate access to training for agency workers, particularly based on standard training programmes at the agency and through sector-level training funds, which have been established in six European countries (including a total budget of 524,5 million €). Technological innovation, the move towards a low-carbon (“greener”) economy and globalisation require workers to acquire adapt their skills and qualifications more quickly. Finally the strategy needs to be designed in a consistent way, in which short-term anti-crisis measures are not ignoring the longer-term labour market needs. Eurociett is concerned that the current proposal for the “EU2020 Strategy does not sufficiently reflect the long-term labour market needs.

## **2. The concept of a “sustainable social market economy”**

Against this background, the **concept of a sustainable social market economy could provide a suitable policy framework, if it is based on the components agreed at European level (like Flexicurity, New Skills for New Jobs and active labour market policies)** and if it is designed as a broad policy framework, which is afterwards adapted and tailored to the specific labour market needs of the different EU Member States. As there are different variations in the design of employment and social policies, also the sustainable social market economy should not be conceptualised as static framework, but as a dynamic concept that takes account of different national contexts.

In such a policy framework, the **contribution of agency work to more inclusive labour markets should be fully recognised.** Agency work not only offers more freedom of choice for companies and workers in the labour market, it also offers a stepping-stone to the labour market for current outsiders (like first-time entrants, long-term unemployed, etc.), facilitates transitions in the labour market. The agency work industry is furthermore the only form of flexible employment which is organised as a specific sector. The sectoral social partners of the agency work industry are committed to sectoral social dialogue in accordance with national law and practice and often use collective labour agreements to

settle working conditions for agency workers. Furthermore, agency work contributes to a sustainable social market economy by acting as transition broker in the labour market and by offering a stepping-stone function to the labour market, thus promoting more inclusive labour markets. Finally, agency work contributes to a sustainable social market economy by providing a well-regulated form of flexible labour. The new strategy should build on this contribution, which will be even more strengthened with the implementation of the EU Directive on temporary agency work until 2011, which calls in its Article 4 for the lifting of existing, unjustified restrictions faced by temporary work agencies. Against this background, the “EU 2020 Strategy” should continue to put a strong emphasis on promoting labour market reforms, which help to provide more work opportunities for more people and enhance labour market participation. Lifting just 2 unjustified restrictions (sectoral bans and reasons for use) in four European countries would contribute to the creation of 570,000 additional jobs.

***The new “EU 2020 Strategy” should put a specific emphasis on a smarter, more competitive and greener economy.*** Taking actions against climate change needs to be a key priority in the next decade. Agency work can provide an important contribution in this context, as it supports workers in moving to new sectors (thus action as “transition broker”) and as it provides specialised HR services to companies in the process of adapting to a low-carbon economy. Agency work thus enhances companies’ competitiveness and supports them in adapting to change.

### **3. The key priorities for EU 2020 and the contribution of the AW industry**

In October 2009, Eurociett had published its initial position on the future “EU 2020 Strategy”, stressing 5 policy priorities in the area of employment and social affairs, to which the agency work industry provides an important contribution:<sup>2</sup> Strengthening labour market participation, job creation and social inclusion, facilitating access to the labour market, reconciling flexibility and works security, upgrading skills and qualifications and promoting work mobility.

***Eurociett explicitly welcomes that several of these dimensions advocated by the agency work industry have been explicitly mentioned and covered in the Commission Working Document of November 2009,*** namely the need to raise employment levels and facilitate transitions, Flexicurity, New Skills for New Jobs and a better matching of demand and supply of labour.

***In the current economic context, a specific emphasis needs to be laid on supporting and strengthening job creation and labour market participation in Europe.*** Labour market participation and integration needs to be substantially enhanced taking advantage of the job creation potential and stepping-stone function associated with the agency work industry. A particular focus should be laid on young people, first time entrants and long-term unemployment. These groups are frequently over-represented among the agency work population, thus illustrating its contribution to well-functioning labour markets.

***At the same time, Eurociett would welcome if the new “EU 2020 Strategy” could go one step further in identifying and naming pathways, through which Member States should implement the identified policies.*** Labour market policies should be based on a solid partnership with different labour market intermediaries. Agency work can play a key role in this context as illustrated in the following table.

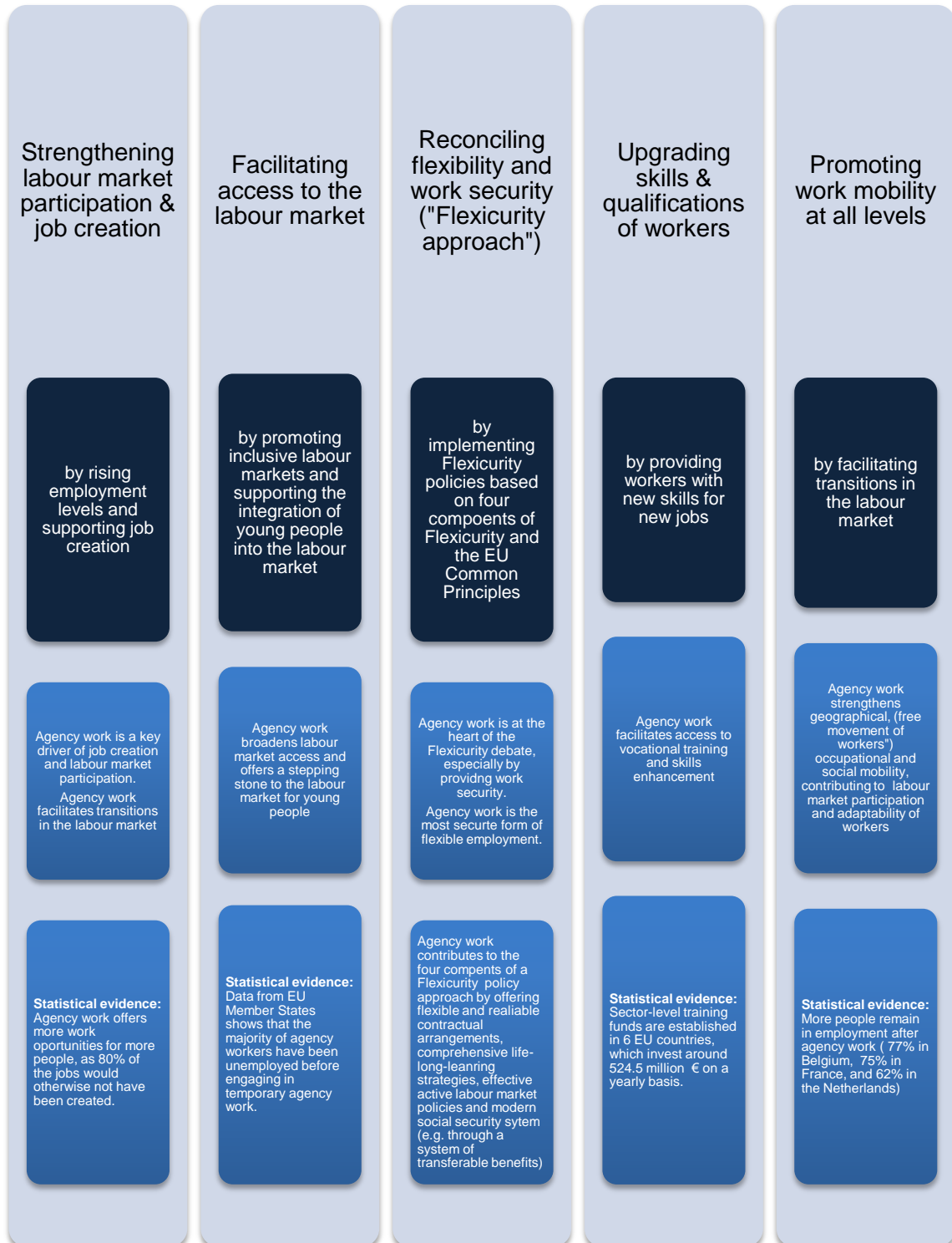
***For each of the employment and social policies identified at European level, the EU2020 Strategy should set clear targets (such as reaching a labour market participation rate of 80%) and clear and feasible reporting methods.*** The ownership at European, national, regional and local level should be further enhanced to ensure that the objectives defined jointly at EU level are met through corresponding national policies. These policies should build on a shared commitment to employment, involving different levels of government, but also social partners, public and private employment

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<sup>2</sup> Eurociett leaflet: Agency Work contributes to better functioning labour markets by raising employment levels, promoting social inclusion and enhancing participation. Shaping the Social and Employment Dimension of the EU 2020 Strategy. Leaflet available online on [www.eurociett.eu](http://www.eurociett.eu)

services and other stakeholders. Developing cooperation between public employment services and private employment agencies should be an important instrument in the framework of the Employment policy dimension of the “EU 2020 Strategy” and the involvement of private employment agencies in active labour market policies should be further strengthened.

**Key employment policy dimensions for the EU-2020 Strategy**



#### **4. Recommendations and requests**

The EU 2020 Strategy needs to deliver concrete results to the benefits of companies, workers and governments to promote labour market participation and more inclusive labour markets and to strengthen companies' competitiveness.

1. Fully unlock the positive contribution of private employment agencies to job creation and labour market participation, particularly by shaping a better regulatory environment for the (temporary) agency work industry and by lifting existing, unjustified restrictions faced by the industry.
2. Enhance the use of the labour market experience and knowledge of the private employment agency industry, particularly by strengthening and improving the cooperation between public employment services and private employment agencies, which contributes to job creation, more inclusive labour markets and forms part of a Flexicurity policy approach.
3. Making full use of the labour market experience and knowledge of the agency work industry, by involving them in active labour market policies, which contribute to a Flexicurity policy approach, promote mobility and transitions in the labour market and facilitate the acquisition of new skills for new Jobs.

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**Annex:** Eurociett leaflet “Agency work contributes to better functioning markets by raising employments, promoting social inclusion and enhancing participation – Shaping the Social and Employment Dimension of the EU 2020 Strategy.”

## **Agency work contributes to better functioning labour markets by raising employment levels, promoting social inclusion and enhancing participation**

**Shaping the Social and Employment Dimension  
of the *EU 2020 Strategy***

***Raising employment levels***

***Promoting inclusive labour markets***

***Reconciling flexibility and work security***

***Upgrading skills***

***Promoting work mobility***

## ***Executive Summary***

- The EU Strategy for Growth and Jobs (“**Lisbon Strategy**”) is an **important policy framework to work towards better functioning labour markets in Europe**. In the past decade, the employment dimension of the Lisbon Strategy has led to progress towards enhanced competitiveness, enhanced labour market participation and strengthened investment in skills and qualifications of workers.
- At the same time, **more action is needed to further strengthen labour market participation in Europe and to meet the economic and employment challenges** EU Member States are facing and to address the needs of an ageing workforce (“**Demographic Crunch**”). The need to strengthen labour market participation has been particularly highlighted in the context of the current, economic and financial crisis.
- The Employment Dimension of the future *EU 2020 Strategy* and the new EU Employment Guidelines should build on five key pillars:
  - 1) **Raising employment levels and labour market participation.**
  - 2) **Facilitating access to the labour market**, especially for the young and unemployed.
  - 3) Reconciling flexibility and work security (**Flexicurity approach**)
  - 4) **Upgrading skills and qualifications** (New Skills for New Jobs Initiative)
  - 5) **Promoting work mobility**
- The agency work industry in Europe can provide an important contribution to these five pillars for Growth and Jobs, as
  - 1) **Agency work contributes to maintain jobs and boosting job creation in Europe**. Research shows that 80% of the jobs carried out through agency work would otherwise not have existed.
  - 2) **Agency work facilitates labour market access**, particularly for young people and first time entrants, who are significantly overrepresented among temporary agency workers.
  - 3) **Agency work is at the heart of a Flexicurity policy approach**, reconciling labour market flexibility and work security for both companies and workers.
  - 4) **Agency work supports workers in acquiring new skills for new jobs** and is committed to facilitate access to vocational training. Based on sector level training funds, 524.5 million € have been invested in vocational training in 2008.
  - 5) **Agency work enhances mobility** in the labour market, while covering all different forms of work mobility (geographical, occupational, social and contractual mobility).
- The New EU Growth and Jobs Strategy should therefore call upon Member States to:
  - 1) **Recognise the positive contribution of private employment agencies to the five pillars for Growth and Jobs** and encourage Member States to share best-practices.
  - 2) **Adapt national regulation on temporary agency work**, particularly by lifting existing, unjustified restrictions, thus helping to offer more work opportunities for more people and easing transitions in the labour market. The Implementation of the EU Directive on Temporary Agency Work is an important instrument in this context, as it calls upon Member States to review their national temporary agency work regulation and to lift unjustified restrictions.
  - 3) **Implement Flexicurity policies** building on the four components of Flexicurity and encourage Member States to strengthen cooperation between public employment services and private employment agencies in the framework of these policies.
  - 4) **Strengthen the investment in skills and vocational training**, thereby by providing access to new skills for new jobs.
  - 5) **Promote work mobility at all levels**, thus covering particularly geographical, occupational, social and contractual mobility.

*“Temporary agency work is seen as a key factor  
in meeting the requirements of the Lisbon Strategy as it contributes to  
increasing both employment and competitiveness”*

*EU Employment Council Press Release June 2008*

## **1. Defining priorities for the *EU 2020 Strategy*: How to support growth and jobs in Europe**

The EU Lisbon Strategy for Growth and Jobs has been one of the European Union’s Flagship policies for the past decade. The Lisbon Agenda has set ambitious targets with regard to labour markets, employment, competitiveness, the knowledge society and environmental protection.

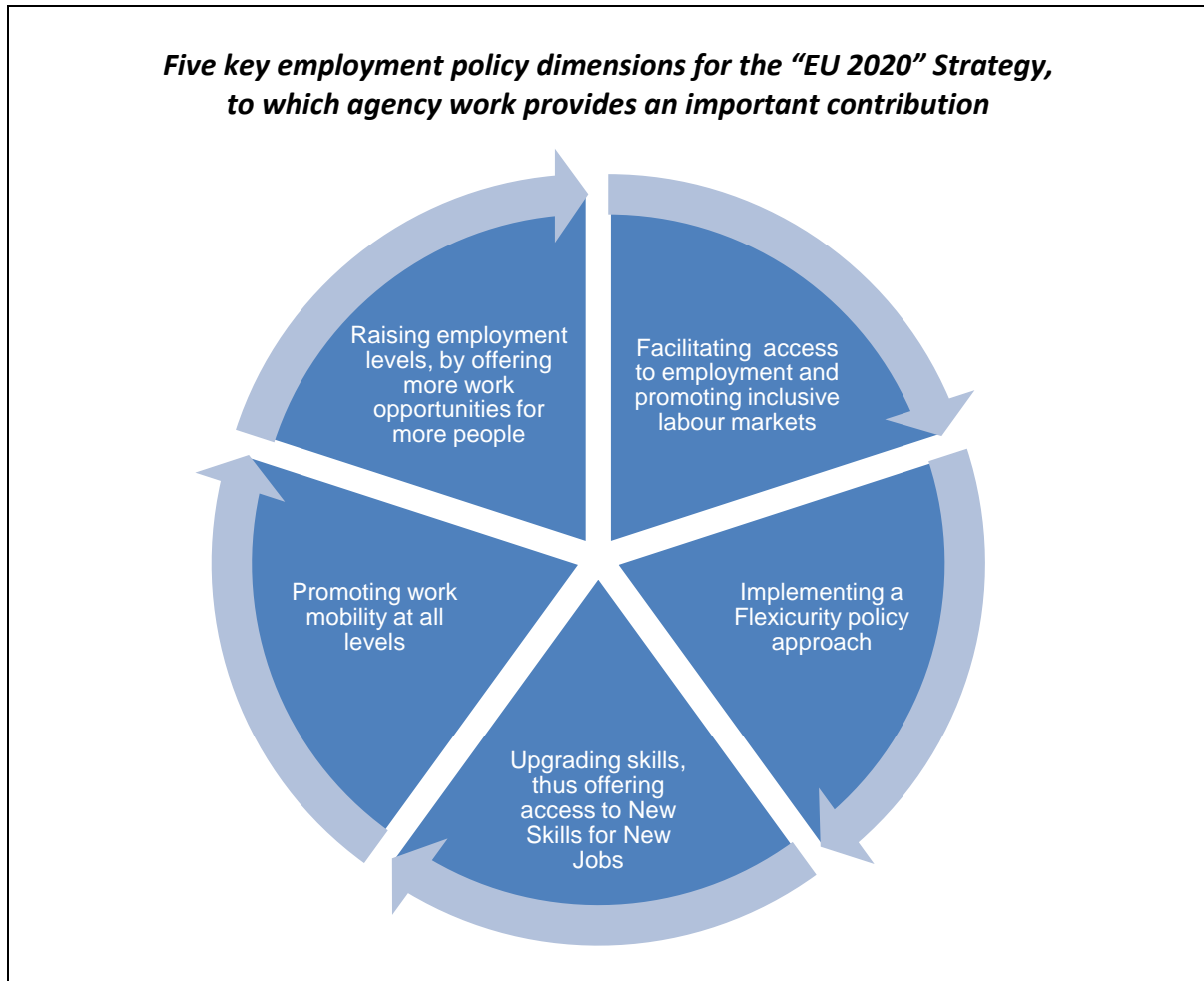
For the agency work industry, the employment dimension of the Lisbon Strategy has been of key importance, as it provided an important framework for further developing the positive contribution private employment agencies provide to better functioning labour markets, particularly with regard to its contribution to job creation, labour market participation, skills enhancement and vocational training, as well as to work mobility.

At the same time, the Economic Crisis, which has hit the EU economies and labour markets heavily in 2008 and 2009, illustrated that more action is needed to adapt labour markets and economies to the needs of the 21<sup>st</sup> century and to correspond to the demands of companies and workers. Against this background, the upcoming debate at EU level on the *EU 2020 Strategy* is of vital importance, as it will provide a framework for adapting and reforming labour markets and economies to current and future needs.

The economic and financial crisis has highlighted the fact that the future EU Growth and Jobs Strategy will need to have a re-focussed, new narrative - a renewed theme under which the main policy priorities of its employment and social affairs dimension can be assembled.

Eurociett advocates that such a guiding theme should be build around the topic of enhancing labour market participation. Given the current and future labour market trends, enhancing labour market participation and integration are essential to adapt labour markets and EU economies.

To work towards enhanced labour market participation, the future EU Growth and Jobs Strategy needs to include 5 key dimensions that are mutually interdependent and reinforce each other. The agency work industry provides an important contribution to each of these dimensions.



## 2. Taking stock: 10 years after launching the Lisbon Strategy

The European Union’s Lisbon Strategy has been launched in 2000 to transform Europe into the most competitive, knowledge-based economy of the world. With regard to its employment dimension, the Lisbon Strategy strives for full employment, more inclusive labour markets and for strengthened investment in skills and qualifications, which help workers to adapt to a changing economic context.

Looking more precisely at labour market participation, the Lisbon Strategy has set four specific targets, namely:

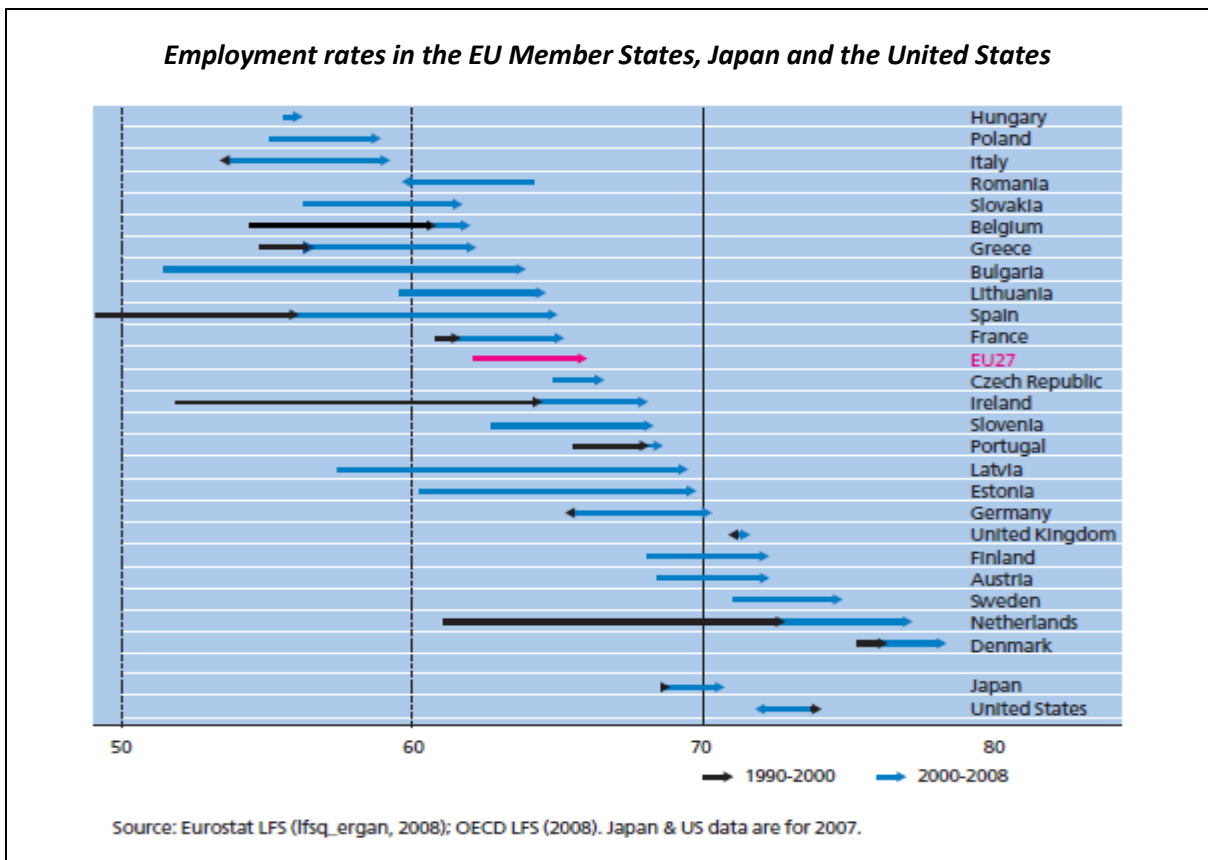
- An employment rate of at least 70% - overall.
- An employment rate of at least 60% for women.
- An employment rate of at least 50% for the elderly.
- An unemployment rate of 4% or less – overall.

Recent research<sup>1</sup> show that, the target will not be met in the short term (especially due to the latest economic and financial crisis), and that in a long term, they will not be sufficient to match labour demand. Especially the economic and financial crisis of 2008/2009 has highlighted that more investment is needed to boost competitiveness, to create more work opportunities for more people, to implement Flexicurity policies and to provide access to new skills for new jobs.

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

G rard Larcher,  
Former French Minister  
of Labour and Social Affairs

Recent data published by the Eurostat illustrates that the employment rates in Europe – despite a moderate increase in recent years - continue to be significantly lower than the target of 70% set in the framework of the 2000-2010 Lisbon Strategy. The EU employment rate is also lower compared to other, leading world economies like the USA – (employment rate of 70.9% in 2008) or Japan (employment rate of 70.7% in 2008). As illustrated below, Denmark, the Netherlands, Sweden, Austria, Finland and the United Kingdom have reached the target employment rate of 70%. These countries have mostly taken advantage of a Flexicurity policy approach in adapting their labour markets and/or gave room to the use agency work as driver of labour market participation. Similarly, countries that impose too many restrictions on temporary agency work or in which the industry is still underdeveloped fall short in reaching the employment target.



Similarly, the targets for labour market participation of certain groups are unlikely to be reached by 2010:

- With regard to the participation of women, the Lisbon Strategy has set a target of 60% labour market participation. Prior to the current recession, this target still seemed more realistic to be reached, while the current economic downturn has made it even more difficult to reach the target by 2010.
- For the older workers, the Lisbon Strategy sets a target of a labour market participation of 50%, while the overall EU average amounted in 2008 to 46%. Despite getting close to the defined target, large differences exist between the different EU Member States concerning the labour market participation of older workers. Significant progress is also needed in this area to help addressing demographic challenges Europe is facing, which can be achieved by enhancing labour market participation.
- Concerning the unemployment rate, the target set by the Lisbon Agenda was even more ambitious and even in 2009 the target of an unemployment rate of 4% remains out of reach.

Finally, it needs to be emphasised that enhanced labour market participation, particularly of older workers and women is of essential importance to address the demographic challenges Europe will be facing in the coming decade. Recent data and forecasts published by EUROSTAT<sup>2</sup>, the EU population is expected to become older with the median age projected to rise from 40.4 years in 2008 to 47.9 years in 2060. In the same period, the share of people aged 65+ is expected to increase from 17.1% to 30.0%. Whereas in 2008 in the EU-27 there are 4 persons of working age (15-64 years) for every person aged 65 years or over, the ratio is expected to be 2 to 1 in 2060.

### 3. Key employment priorities for the “EU 2020” Strategy

The main employment policy dimensions of the Lisbon Strategy remain valid and should form key priorities for the future, EU Growth and Jobs Agenda (*EU 2020 Strategy*), while more action is needed to adapt labour markets to future needs, especially in the context of the looming demographic crunch.

The positive contribution of the agency work industry to better functioning labour markets had already been recognised in the framework of the Lisbon Strategy, especially in the context of the EU Employment Task Force of 2003 (Kok-Report), the EU Flexicurity debate and the recently launched New Skills for New Jobs Initiative.

*Member States should “work towards the removal of obstacles to temporary work agencies rendering them effective and attractive intermediaries in the labour market, offering improved job opportunities and high employment standards.”*

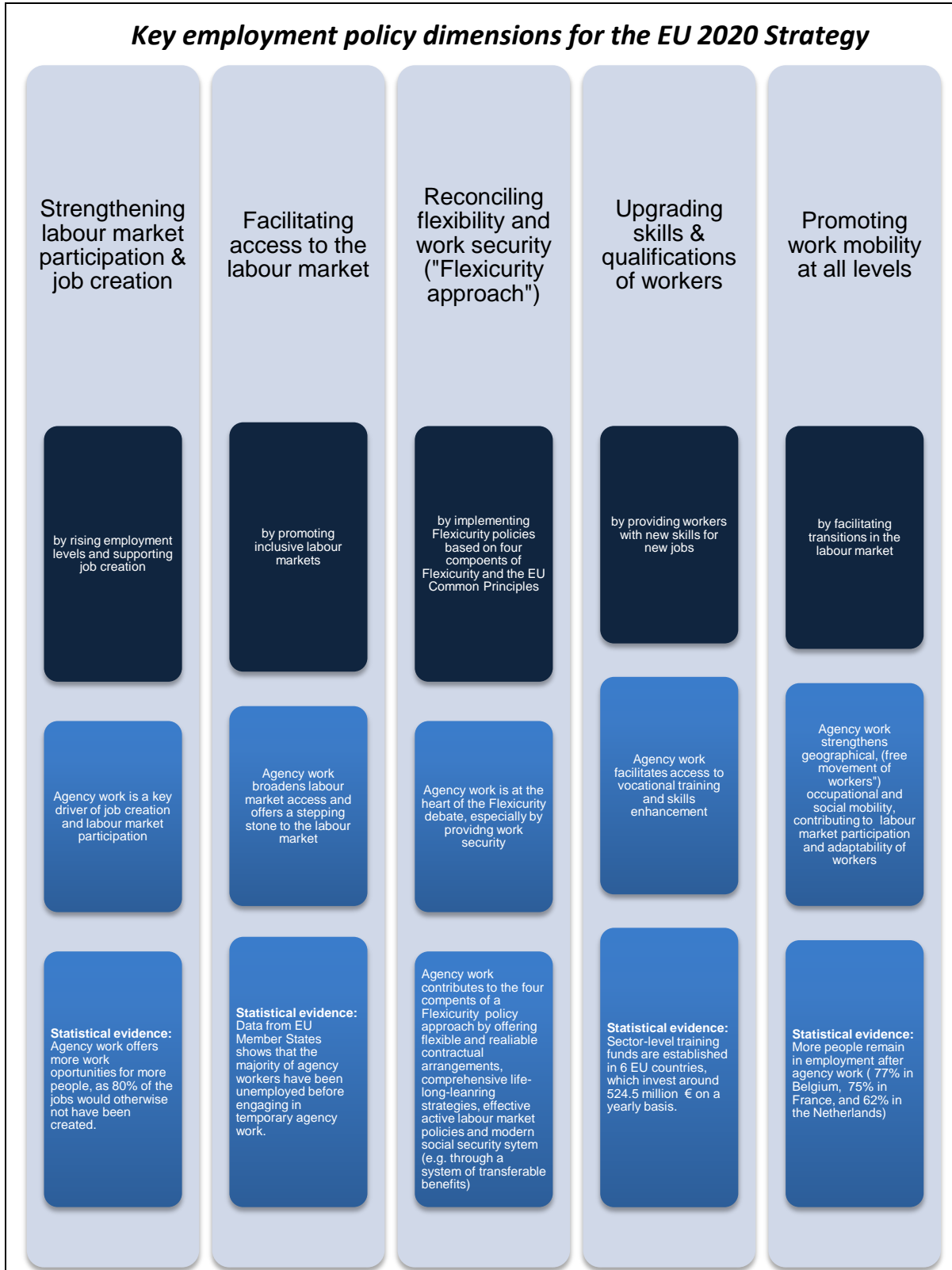
*EU Employment Task Force (2003)*

Agency work is a key driver in the labour market, serving as intermediary between its client companies and the agency workers. Agency work contributes to better functioning labour markets by

1. Strengthening employment and job creation, thus contributing to labour market participation and social inclusion;
2. Enhancing companies competitiveness,
3. Reconciling flexibility and work security (Flexicurity approach)

4. Helping workers in upgrading their skills and qualifications
5. Promoting work mobility at all levels.

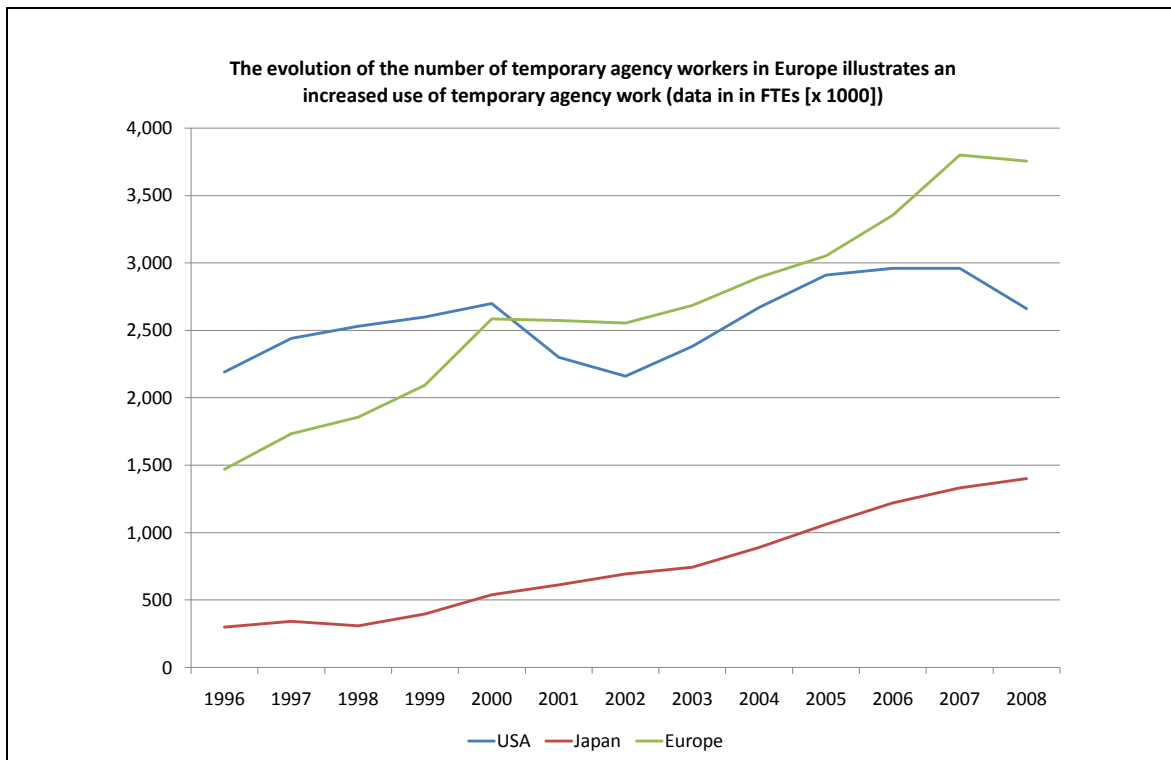
These five dimensions should form key employment priorities of the *EU 2020 Strategy*, which should at the same time recognise the role and contribution of the agency work industry.



## 4. Agency work should be recognised as key player in the *EU 2020 Strategy* and associated with its implementation

### a) The contribution of agency work to job creation should be strengthened

**Agency work contributions to Job creation:** The agency work industry is a key driver for job creation and the reduction of unemployment in Europe, especially when compared to the United States of America and Japan. Between 1998 and 2006, the agency work sector accounted for 9% of the total job creation.



While the scope of job creation through agency work was reduced in the economic and financial crisis of 2008/2009, agency work continued to create jobs for hundreds of thousands of employees by identifying new employment opportunities for workers and by managing the transitions from one job to another one. Agency work also offers a flexible layer in the labour market, which supports companies in adapting to shifting demands for labour.

“Temporary agency work meets not only the undertakings’ need for flexibility, but also the need of employees to reconcile their working and private lives. It thus contributes to job creation, participation and integration in the labour market”

*Directive 2008/104/EC  
on Temporary Agency Work, Recital 11*

The research commissioned by Eurociett<sup>3</sup> also showed that without the services provided by private employment agencies, 80% of these jobs would not have been created, as the work would have been carried out using other forms of flexibility, which are not associated with job creation.

At the same time, national regulation on temporary agency work activities currently still imposes several unjustified and disproportionate restrictions on temporary agency work activities (such as sectoral bans, limited reasons for use and strict maximum length of temporary agency work assignments), which hinder

companies in using the competitive advantages of the agency work industry. Strategic research commissioned by Eurociett in 2007 shows that 570,000 additional jobs could be created in just 4 European countries (France, Belgium, Germany and Spain) if just two unjustified restrictions (sectoral bans and limited reasons for use of temporary agency work) are removed.

In order to lift existing, unjustified restrictions, Member States should take advantage of the implementation of the EU Directive on temporary agency work (2009 – 2011), as the Directive calls in its Article 4 on Member States to review national restrictions and to verify whether these are justified for reasons of public interest, the protection of agency workers or to ensure that the labour market functions properly.

Agency work can furthermore support companies in becoming and remaining competitive by offering to them a full range of services. In most European countries, agency work companies do not only supply temporary agency workers to user companies, but offer a full range of HR services. These services include for example outsourcing services, interim management, recruitment services, pay-rolling and training. By offering a full range of HR related services, agency work companies allow their client companies to focus on their core business activity.

Furthermore, research shows that in past years, job creation has started at lower economic growth in rates in France, as labour markets have become more flexible: A report published by UNEDIC<sup>4</sup> concludes that: “Looking over a long development phase, a clearly defined correlation between salaried working population and agency work can be seen.” Within the last 20 years, the contribution of agency work flexibility and greater acceptance by sector professionals has boosted employment growth. During the 1980s, a 2% rate of growth was needed in France to guarantee net employment creation, whereas now it is between 1% and 1.5%.

**Agency work does not substitute permanent jobs:** It should be fully recognised that there are almost no substitution effects between permanent jobs and temporary agency work contracts. Organisations use agency work to manage output fluctuations, which cannot be appropriately handled with permanent staff. This is also illustrated by the fact that long-term assignments, which could substitute permanent jobs, are uncommon in the agency work sector (as the large majority of assignments in Spain, France, UK, Belgium, Germany and the Netherlands are shorter than 6 months).



Similarly a study carried out by the IAB,<sup>5</sup> a research institute of the German public employment service, concluded that agency work generates additional jobs and does not substitute regular workers by agency workers. These research results are supported by the main reason why companies resort to temporary agency work, which are mostly of a short-term nature (as for example output fluctuations due to seasonal or other changes).

**Evidence from Belgium:** The service voucher system, introduced in 2004 by the Belgian federal government, allows individuals to purchase a government-subsidised domestic cleaning service (house cleaning, washing, ironing etc.). The main advantage of the service voucher system is that social charges and income taxes are pre-paid.

Temporary work agencies play a key role in the implementation of this system, as they have been granted the right to distribute these service vouchers. Today temporary work agencies in Belgium employ more

than 40% of the workers placed through that channel. The system has had a positive impact on the labour market and led to the employment of roughly 42,000 people in 2006. 58% of these workers were previously unemployed (average length of unemployment prior to introduction of service voucher employment was 3.7 years for 2005), or inactive. Furthermore, 10% of voucher users admitted they previously had an incentive for undeclared work before the service was introduced, and 23% admitted that without the system they would have otherwise used undeclared workers. The reduction of undeclared work is not only beneficial to governments, but also to workers, with 50% stating that voucher services keeps them from performing undeclared work.

**Evidence from the Netherlands:** According to a survey amongst over 8.000 agency workers in the Netherlands, carried out by ECORYS and commissioned by ABU [Dutch association of temporary work agencies], agency workers appear to be satisfied with their work. Additionally, agency work is often a conscious choice. Working atmosphere at the user-company and contact with the permanent staff were judged positively by more than 80% of agency workers. Working hours and duration of the work week are, for most agency workers, in accordance with their wishes. The content of the work was evaluated to be satisfactory.

When looking at the motives to do agency work, 28% wish to find permanent employment through temporary agency work. Work experience is given as a reason by 18%. Holiday work is done by 16% and another 16% deliberately choose temporary agency work. Agency work as a job alongside studies is given as a reason by 15%. Only 1% resort to agency work because they could not find a permanent job. The study also shows that agency workers do not feel excluded at the workplace. Regarding contact with the permanent staff, 84% of agency workers are satisfied or very satisfied. The work atmosphere is judged positively by 83% and the content of the work by 72%. As for labour conditions, agency workers are satisfied as well. 80% are satisfied with the number of hours per week and 61% are satisfied with the wages. A minority of 16% are dissatisfied with the wages and a fourth has a neutral opinion.

***The EU 2020 Strategy should therefore:***

- ***Fully recognise that agency work contributes to job creation and helps workers to maintain in employment*** and attached to the labour market.
- Encourage Member States even more to take advantage of best-practices in other countries (such as the presented service voucher system in Belgium) to assess, whether these can be applied elsewhere.
- Include a strong **call upon Member States to lift existing, unjustified restrictions, which the agency work industry is currently still facing in several EU Member States** in order to further unlock its positive contribution to better functioning labour markets.

## **b) Agency work should be used to facilitate labour market access and promote inclusive labour markets**

**Agency work broadens labour market access:** Additionally, the agency work sector contributes to broadening labour market access, thus enhancing labour market participation of outsiders (such as long-term unemployed, first-time entrants, ethnic minorities and others). Recent data illustrates that these groups are frequently over-represented among the temporary agency work population, particularly the previously (long-term) unemployed. This stepping-stone function of the agency work industry is prominent in many countries, including particularly the United Kingdom, Germany, Belgium and the Netherlands.

The two sectoral social partners for the temporary agency work industry, Eurociett and Uni-Europa, have jointly underlined the key role of temporary agency work in offering access to the labour market and in facilitating transitions in the labour market in the context of their joint declaration of 2007, which was agreed in the framework of the Flexicurity debate.

For France, statistics of the public employment services shows that workers employed on a fixed-term contract are 2.5 times more often getting registered as unemployed compared to temporary

*“Temporary agency work can at different degrees contribute to creating pathways between unemployment and employment for example by helping jobseekers entering or re-entering the labour market.”*

*Eurociett/Uni-Europa Joint Declaration in the framework of the Flexicurity debate as launched and defined by the European Commission (2007)*

agency workers. This is even more striking when considering that the average length of mere fixed-term contracts is six-times longer than the average length of temporary agency work assignments.

With regard to the (re-)integration of the unemployed it also needs to be recognised that people are unlikely to be re-integrated in a professional life, the longer they stay unemployed. Against this background, re-activation and reallocation policies, taking advantage of agency work companies as intermediaries, are key for a better functioning labour market. Agency work is also frequently used by students to combine studies and professional education with gaining access to the labour market and acquiring first professional experience.

**Agency work acts as transition broker**, facilitating the transition from unemployment to work, between different contacts and from education to work is furthermore strengthened by its contribution to active labour market policies,<sup>6</sup> which also aims at boosting labour market integration and participation, thus contributing to the reduction of short- and long-term unemployment.

Agency work furthermore offers more opportunities for workers, as it helps to reconcile work and family responsibilities. By offering flexible labour contracts and part-time work solutions, agency work helps to increase the labour market participation rates of women and supports young mothers in re-entering and remaining in employment.

***The EU 2020 Strategy should therefore:***

- Strengthen employment and job creation in the EU Member States ***to offer more work opportunities for more people***. Despite the progress achieved in recent years by some governments, the need to support job creation and to focus policies on maintaining employment has been highlighted by the financial and economic crisis of 2008/2009, which has significantly increased the pressure on labour markets, leading to rising levels of unemployment in many European countries.
- Implement labour market reforms that ease transitions in the labour market, particularly the transitions from unemployment to work and from education to work. Against this background, Member States should be encouraged to work jointly with the agency work industry on joint programmes & projects to broaden labour market access and to increase the labour market participation.

c) Reconciling flexibility and work security in the labour market through the use of agency work

Flexicurity, understood as a policy approach that strikes a good balance labour market flexibility and work security for both companies and workers, has been a core pillar of the Lisbon Strategy and should form an integral element of the *EU 2020 Strategy*. In contrast to the concept of “job security”, “work security” aims at ensuring for workers the availability of adequate employment opportunities and the smooth transition between different jobs. At the same time, the concept of “work security” should not be limited to workers, as it is equally important to ensure that companies have access to qualified staff according to their needs.

The Flexicurity debate at EU level has been advanced in recent years based on the European Commission Communication on Flexicurity of June 2007 and the agreement at European Council level on eight common principles of Flexicurity, which have been integrated into the Employment Guidelines for the period 2008-10.

As underlined in the Commission’s Communication on Flexicurity and reflected in the eight common principles of Flexicurity, Flexicurity policies should be based on four components, namely flexible and reliable contractual arrangements, comprehensive life-long learning strategies, effective active labour market policies and modern social security systems.

*“Temporary agency work is an important and growing industry in the EU, and is a sector at the heart of the ‘flexicurity’ debate.”*

*Eurofound “Temporary Agency Work and Collective Bargaining”*

The agency work industry can provide an important contribution to the implementation of Flexicurity policies based on these four components:

- **By offering flexible and reliable contractual arrangement:** Eurofound, the European Foundation of Living and Working Conditions<sup>7</sup> has analysed in 2009 temporary agency work regulation and collective bargaining and concluded that the sector is overall highly regulated, while often combining elements flexibility and work security. National regulation on temporary agency work frequently puts a specific emphasis on the protection of basic rights and working conditions of the temporary agency worker. These will be further consolidated by the implementation of the EU Directive on Temporary Agency Work in the coming years, which establishes the principle of equal treatment for the temporary agency workers, while allowing for a limited number of derogations to take account of specific conditions of national labour markets and to give freedom to social partners to settle basic working conditions.
- **Comprehensive life-long learning strategies:** The commitment of the agency work industry to facilitate access to vocational training and life-long-learning has been analysed and assessed in a joint project commissioned by Eurociett & Uni-Europa in 2008/2009, which underlined that the agency work industry is committed to facilitate access to vocational training based on standard training programmes at company level and sector-level training funds, which are established in six European countries.
- **Effective, active labour market policies:** The agency work industry is committed to contribute to effective, active labour market policies, particularly by establishing forms of cooperation between public employment services and private employment agencies and by supporting public authorities in providing more work opportunities for more people.
- **Modern social security systems:** Based on its contribution to the better functioning labour markets, the agency work industry also contributes to efficient social security systems, which need to be based on high labour market participation rates, as well as on easy and rapid transitions from unemployment to work. Furthermore, agency workers can benefit from the portability of rights and the transferability of benefits. As the agency remains to be the employer of the agency workers, rights and benefits can be accumulated while the workers moves from one assignment to another one.

Eurociett and its sectoral, social partner Uni-Europa have underlined and illustrated the contribution of the (temporary) agency work industry to Flexicurity policies in a Joint Declaration signed in February 2007. In the Joint Declaration, both social partners agreed that (temporary) agency work plays a key role in facilitating transitions. Agency work companies acts as a ‘transition brokers’ and serve as impresario for the employee in the labour market, in developing skills and qualifications and concluded with a series of recommendations for successful Flexicurity policies. These include a call for lifting existing, unjustified restrictions faced by (temporary) work agencies, for developing and strengthening cooperation between public employment services and private employment agencies and for facilitating access to vocational training for temporary agency workers, thus contributing to more inclusive labour markets.

**The Dutch Flexibility and Security Law:** In the Netherlands, social partners struck a deal containing three main ingredients: (1) limiting the consecutive use of fixed-term contracts; (2) eliminating administrative obstacles for temporary work agencies while integrating agency contracts in employment law and replacing public regulation to a large extent with collective bargaining; (3) providing for a regulatory framework for non-standard contract forms in the labour code, by introducing a presumption of law to prevent manipulation and introducing minimum protection and payment. The deal became law as the "Flexibility and Security Act" and came into force on 1 January 1999. The aim of this Act was to create an effective balance between the ability of employers to manage their companies flexibly while providing workers with work- and income security. This applies especially to workers on flexible contracts, such as stand-by-workers, on call workers, zero hour workers, min-max workers, teleworkers, home workers and temporary agency workers. An important element of the Act concerns the possibility for an employer to hire a worker on a maximum of three consecutive fixed term contracts, or for a maximum of in total 36 months.

***The EU 2020 Strategy should therefore:***

- **Build on the common principles of Flexicurity** agreed in the framework of the EU Lisbon Strategy in 2007, as well as on the four components of Flexicurity and integrate these into the future EU Growth and Jobs Strategy.
- **Fully recognise that agency work is at centre of a Flexicurity policy** approach, as it provides flexibility and work security for both companies and workers.
- Encourage Member States **to establish and strengthen forms of cooperation between public employment services and private employment agencies** as part of their Flexicurity policies, as these forms of cooperation strengthen labour market participation and help to integrate the unemployed into the labour market.

**d) Take advantage of agency work as an opportunity to upgrade skills & qualifications**

**Investing in skills and qualifications should be a key component of the future EU Growth and Jobs Strategy**, as new skills for new jobs are a pre-requisite for gaining access to and remaining in the labour market and thus help to enhance labour market participation. The agency work industry in the EU Member States is committed to facilitate access to vocational training and to support workers in adapting their skills and qualifications. Against this background the agency work industry is committed to providing a contribution to the New Skills for New Jobs Initiative launched in December 2008.<sup>8</sup>

**Agency work offers opportunities for upgrading skills and qualifications for workers mainly based on three channels:** Firstly, agency workers are able to develop their qualifications by gaining access to professional experience in various, different working environments during the agency work assignments. These new skills qualify them for future jobs and improve their employability.

*“Temporary agency work can help workers develop their work skills, thereby offering pathways into more secure employment.”*

Eurofound “Temporary Agency Work and Collective Bargaining (2009)

Agency work offers its services at a cross-industry level, thus allowing workers to acquire experience in different sectors and occupations. Secondly, the agency workers benefit from standard training schemes set up at the agency level, which aim at equipping the agency workers with the skills and qualifications needed for current and future assignments. Finally, the agency work industry in seven countries (Austria, Belgium, France Spain, Italy, Luxembourg and the Netherlands) has set up bi-partite training schemes, which offer targeted and structured vocational training. In 2008, 643,000 agency workers benefited from training funds based on an annual budget of € 524.5 million (while the training fund in Luxembourg has only been established in 2009).

**Agency work can furthermore support public authorities in improving the capacity at European level to anticipate and match labour market demand and supply.** In the framework of the European Commission's New Skills for New Jobs Initiative, it has been underlined that the European Union needs to improve its capacity of anticipating and matching demand and supply of labour. This improves enhancing tools and instruments for labour market analysis and implementing labour market reforms that help adapting labour markets to economic needs. Agency work can play a key role in reaching the objectives outlined in the New Skills for New Jobs Initiative: Agency work is an essential intermediary, serving both user companies and agency workers and thus helping to better match labour market demand and supply. Strengthening the role of intermediaries like agency work companies in their role of matching demand and supply of labour will become even more important in the context of the demographic challenges Europe is facing, as these will lead to increasing mismatches in the labour market and shortages of labour, particularly for certain professions or tasks.

**Through their network of 30,000 branches and 250,000 consultants across Europe, private employment agencies help to achieve a better match between the demand and supply of labour on a daily and short-term basis, thus serving both companies and workers.** Agency work can also be used to identify and match local labour market needs, particularly by developing forms of cooperation at local/municipal level. In its function of increasing transparency and efficiency of labour markets, private employment agencies are fulfilling a complementary role to public employment services, as they help to place job-seekers and unemployed in an efficient way, while allowing public employment services to focus their efforts even more on the most disadvantaged groups and those being furthest away from the labour market.

**Private employment agencies have over the years developed their own skill assessment tools to evaluate the profile of the agency workers.** These assessment tools help to measure the skills that jobseekers hold with regards to technical aptitude, ICT, foreign languages, accounting and others. In several countries, the public employment services have subcontracted to the private sector the skill assessment of thousands of jobseekers.

Furthermore, agency work can serve as a leading, economic indicator,<sup>9</sup> as it is able to identify current labour market trends and as it is measured much more frequently than other labour market indicators.

**Evidence from Spain:** As in other countries such as Austria, Belgium, France, Italy, Luxembourg and the Netherlands, training is one of the principal focal points of the agency work industry. This has given birth to SINDETT, a bipartite training fund that embraces the two largest trade unions and the agency work national federation. It seeks to provide a platform for collective initiatives to create more and higher quality jobs. SINDETT follows several strategic approaches to reach its objectives:

- Providing workers with modular training programmes throughout the country;
- Offering training programmes aimed at acquiring, updating and improving specific competencies as well as transversal ones;
- Promoting the integration of groups with low employability;
- Adapting training content to labour market trends in order to raise the level of workers' employability.

In the last three years, SINDETT enhanced employability of almost 12,000 workers through training programme, 89% of those temporary agency workers coming from target groups. All workers, regardless their geographic location can benefit from this opportunity (20% from Andalusia, 18% from Madrid and 17% from Cataluña). The SINDETT budget for 2006 amounted to € 3.5 million.

***The EU 2020 Strategy should therefore:***

- **Integrate the 2008 New Skills for New Jobs Strategy into the future EU Growth and Jobs Strategy**, as the priorities of anticipating and matching skills and labour market needs are key requirements for growth and jobs in Europe.
- **Take account of the fact that agency work serves as a leading economic indicator**, which can help to identify current and future labour market trends, thus helping governments and public authorities to adapt their labour market policies to future labour market needs.
- **Fully recognise the contribution of the agency work industry in facilitating access to vocational training** and in providing opportunities to acquire new skills for new jobs. In this context, Member States should be encouraged to create a level playing field for labour market intermediaries, in which (temporary) agency work companies are not discriminated against, but have access to governmental funds and programmes focusing on training, skills enhancement and labour market participation.

**e) Facilitating work mobility at all levels through agency work**

**Intra-EU work mobility is a key element in achieving better functioning labour markets and a founding principle of the European single market.** However, work mobility in the 21<sup>st</sup> century needs to be conceptualised in a broad sense, thus covering not only geographical mobility, but also occupational mobility (between different jobs and professions), contractual mobility (thus moving for example from fixed-term contracts to open-ended contracts) and social mobility (thus allowing for transitions and progress in the labour market). Especially geographical work mobility in Europe is currently still underdeveloped.

**Agency work is a key driver of work mobility**, including all forms of work mobility (geographical, occupational, social and contractual). At the same time, agency work offers a comprehensively and sometimes heavily regulated form of work mobility, based on the applicable European regulation (especially the EU Directive on temporary agency work and the Posting of Workers Directive), national laws, collective labour agreements and instruments of self-regulation.

***The EU 2020 Strategy should therefore:***

- **Take action to further strengthen work mobility in the European single market**, while building on the different forms of work mobility identified. Further developing the European Job Portal **EURES** could be an important element in this context, as improved access to information is a pre-requisite for strengthening work mobility.
- **Contribute to the removal of restrictions to the free movement of workers**, which are currently still hindering workers in taking full advantage of the European single market (such as unjustified restrictions on temporary agency work in cross-border situations, the transitional measures applied for some Central and Eastern European EU Member States or deficits in the recognition of qualifications and diplomas etc.).
- **Ensure that the European legislation covering work mobility is properly applied and enforced**, including particularly the Posting of Workers Directive.

More information about the European Confederation of Private Employment Agencies (Eurociett) is available online: [www.eurociett.eu](http://www.eurociett.eu)

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- <sup>1</sup> Ernest Berkhout (et. al.): Drivers of participation. Facts, figures and policy issues affecting the labour market, SEO Economic research, commissioned by Randstad (2009).
  - <sup>2</sup> Eurostat: Statistics in focus, 72/2008: Population and social conditions: Ageing characterises the demographic perspectives of the European societies.
  - <sup>3</sup> More work opportunities for more people. The contribution of private employment agencies to better functioning labour markets. Strategic report commissioned by Eurociett (2007)
  - <sup>4</sup> UNEDIC is the bipartite body that manages unemployment allowances in France
  - <sup>5</sup> Institut für Arbeitsmarkt- und Berufsforschung: IAB – Kurzbericht No. 14/2006, p. 5.
  - <sup>6</sup> Ernest Berkhout (et. al.): Drivers of participation. Facts, figures and policy issues affecting the labour market, report of the SEO economic research commissioned by Randstad (2009), p. 19.
  - <sup>7</sup> European Foundation for the improvement of Living and Working Conditions in Europe (2009): Temporary agency work and collective bargaining in the EU. The report was drafted on specific request of the European sectoral social partners Eurociett and Uni-Europa and is available as download on the Eurociett website ([www.eurociett.eu](http://www.eurociett.eu)).
  - <sup>8</sup> European Commission: New Skills for New Jobs. Anticipating and matching labour market and skill needs (2008).
  - <sup>9</sup> Marcel Canoy, Peter Donker van Heel and Erwin Hazebroek: Temporary Agency Work as a leading economic indicator, expertise available on: [www.eurociett.eu](http://www.eurociett.eu)