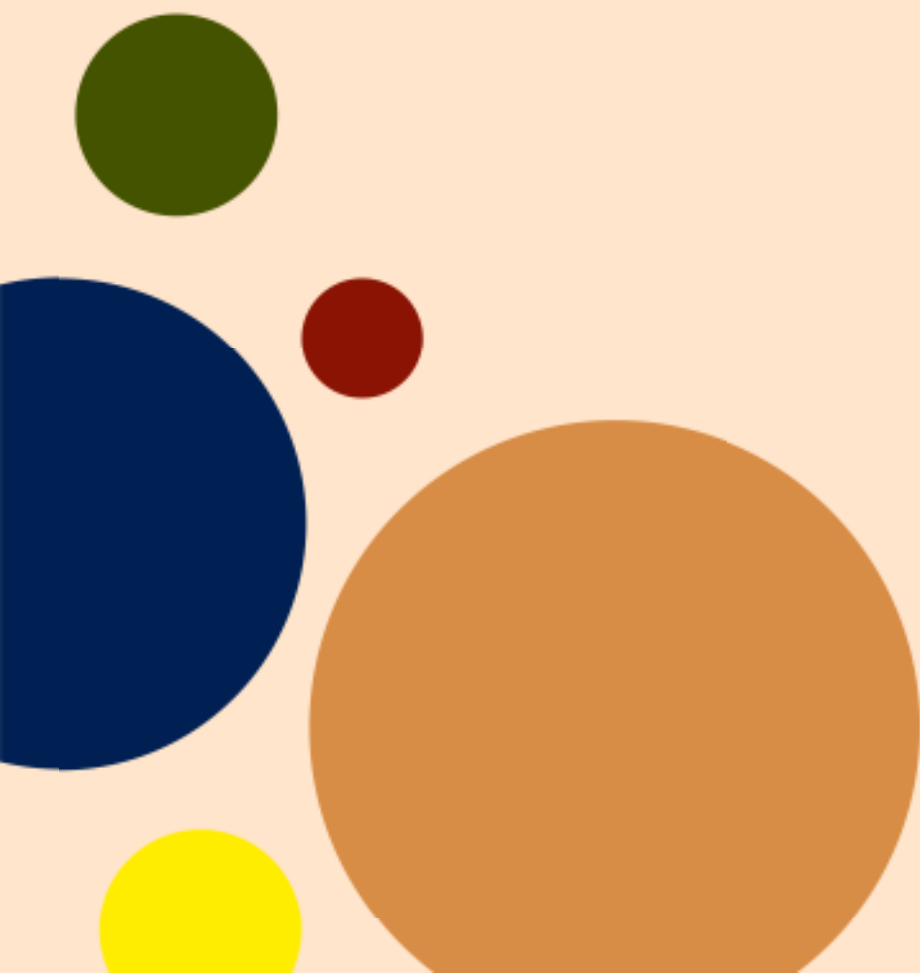
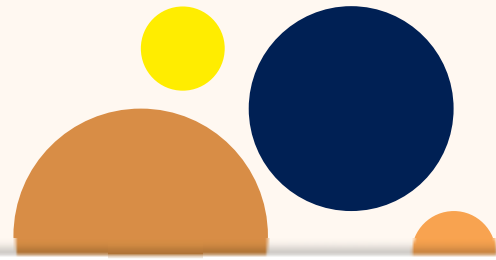


Executive Summary





Private employment services support companies and workers in adapting to seasonal and cyclical changes in the economy. The sector provides innovative and reliable solutions that enable organisations, whether public or private, to manage seasonal fluctuation in demand and adapt their workforce needs accordingly. Cyclical fluctuations, while less predictable, are increasingly a fact of life as economies alternate between periods of positive and negative growth. Private employment services have developed as part of the solution to meet an increased volatility in labour demand and to support organisations in adapting to the impact that each cycle has on their employment levels.

However, the increased incidence of structural changes in recent years has brought a new set of challenges to economies and labour markets. Globalisation, demographic evolution, sectoral and IT shifts, unpredictability and complexity combined with new attitudes to work have resulted in economies across the world experiencing deep structural shifts. For labour markets, the consequences are severe: persistent high level of unemployment (which hits young people disproportionately hard), the need for new skills for new jobs, low occupational and geographic work mobility, a risk of segmentation of labour markets, low labour market participation rates (especially for women and older workers) and the need to reconcile diverse forms of labour relations with decent working conditions.

As leading service providers, private employment agencies are well placed to enable adaptation to these structural changes. With its international reach and specialised market knowledge, the sector facilitates adaptation to change in labour markets that are becoming increasingly complex, volatile and unpredictable.

The Boston Consulting Group/Ciett study finds that the private employment sector stands for a number of characteristics that help labour markets to remain and become more efficient, and making it a valuable employment partner for governments, companies and workers in the decades to come.

PRIVATE EMPLOYMENT SERVICES ENABLE ADAPTATION TO CHANGE IN INCREASINGLY VOLATILE AND COMPLEX LABOUR MARKETS

Economic cycles are becoming more volatile, resulting in a constant tension between job creation and job destruction. Adapting labour markets to these new dynamics is one of the greatest challenges societies face today. In this new, complex reality of employment markets, the role of labour market intermediaries is crucial. Workers and employers need an intermediary to react immediately to better match supply with demand and ensure that maximum levels of labour market participation are maintained.

Standing as a partner in sound economic times, private employment services enable labour markets to adapt when economies are facing changes. The industry reduces time lags between recovery and job creation. It also helps companies to adapt better and faster to economic cycles. The sector provides effective workforce solutions that enable employ-

ers to seize opportunities and manage fluctuations effectively. It increasingly offers an array of professional services to deliver work solutions ranging from consulting and recruiting to HR services and outsourcing.

Research shows that those organisations which strategically combine internal flexibility with the use of agency work to address fluctuations in demand appear to be best placed to manage increasing volatility and react to market opportunities.

For workers, private employment services offer a variety of work contracts that meet the new diversity of expectations and attitudes to work. The sector combines the flexibility that many of today's workers are looking for with the security that they also need. It enables the creation of more work opportunities for people and allows jobseekers to quickly find a job. It also helps people to acquire and develop their skills and competences, contributing to both sideward and upward mobility in the labour market.

FACTUAL EVIDENCE

- When plotted against the overall employment rate, **the private employment services industry picks up several months earlier in times of recovery.**
- **Private employment services reduce the time-lag between recovery and job creation:** There is a one-to-one correlation between the evolution of the number of agency workers assigned and the evolution of GDP.
- When asked about the main reason they decided to work through private employment agencies, 60% of agency workers in France answered **"to find a job quickly"**.
- The majority of agency workers from the UK (66%), Poland (60%), Netherlands (58%) and Belgium (52%) agree with the statement **"agency work helps in having a balanced life"**.

PRIVATE EMPLOYMENT SERVICES REDUCE BOTH STRUCTURAL AND FRICTIONAL UNEMPLOYMENT

As labour market intermediaries that increase transparency, the private employment services contribute to reducing the two dimensions of unemployment: structural unemployment - by creating new jobs and skills; and frictional unemployment - by ensuring a better and faster match between supply and demand in labour markets.

The sector is an engine of job creation and increases the range of job options available. It contributes to matching supply with demand in the workplace and is able to do this on a global scale, addressing the emerging mismatch of talent and demand between geographies and sectors.

With labour markets in perpetual motion, jobs are being both created and destroyed on a constant and

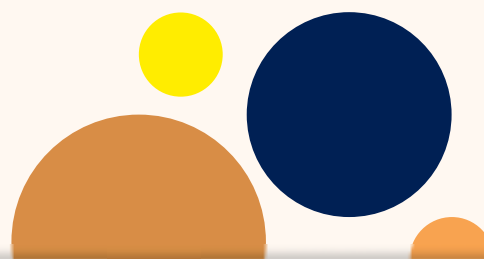
daily basis. In this dynamic context, active labour market policies with strong cooperation between public and private employment services are needed if economic growth and inclusive labour markets are to be maintained.

The ability of private employment services to deliver jobs ahead of the classic job creation curve makes the sector an important partner in managing fluctuations effectively. Private employment services actually start to create jobs even at very low levels of GDP growth and effectively jump-start economies.

In addition, by providing an organised and regulated form of flexible work, responsible private employment services contribute to eliminating the most precarious forms of employment: illegal and undeclared work.

FACTUAL EVIDENCE

- **Unemployment and agency work rates follow inverse patterns:** The higher the agency work penetration rate, the lower the unemployment rate.
- **Private employment services create jobs:** In the USA, private employment services provided 401,000 new jobs in 2010, the largest annual growth posted since 1994. In Europe, since the low point of the economic crisis in 2009, the sector has provided up to mid 2011 at least 900,000 new jobs on top of the 3 million agency workers that have remained employed throughout the downturn. This builds on the performance during the period from 2002 to 2007 when there were 1.3 million new jobs in the industry.
- **Agency work does not substitute permanent contracts:** 74% of user organisations would not consider hiring permanent workers as an alternative to taking on agency workers and 62% of them would not have created jobs if they had no access to private employment services.



- **Private employment services contribute to reducing undeclared work:** There is an inverse correlation between the level of illegal economic activity and the level of agency work penetration. In Italy, agency work was introduced legally by the government in 1998 as a means to fight undeclared work. In Belgium, private employment services play a key role in distributing “services cheques” turning undeclared domestic cleaning staff into formal workers.
- In Australia, recognising the efficiency of the private sector, **the government has completely outsourced its public employment services to private and non-profit organisations.** Compared with the situation before outsourcing, the current system is showing about three times the output performance with approximately one third of the costs.

PRIVATE EMPLOYMENT SERVICES DRIVE DOWN SEGMENTATION OF LABOUR MARKETS

Segmentation of labour markets can be characterised by a low level of participation and low geographical and occupational mobility. The transition function that private employment services provide is crucial in maintaining inclusive labour markets with high levels of participation.

By identifying where employment needs exist and matching them with labour supply, private employment services provide a stepping-stone function that enables people to transition from education to work, from unemployment to employment and from job to job. They also enable people to transition from part-time work to full-time work (and vice-versa) and between sectors in line with economic demand.

This role of “transition agent” is particularly relevant among young and disadvantaged groups (e.g. ethnic minorities, women returning to the labour market, older workers). This is because private employment services provide easy access to the labour market

[they assist job seekers in finding the right position], allow employers to recruit these disadvantaged workers with a low risk (probation period) and offer contractual arrangements that meet the constraints of this group of workers (need to gain confidence again by working part-time or for a limited period of time at the outset).

By contributing to reducing illegal work and providing work opportunities for people who are furthest away from employment, the PrES industry plays a key role in maximising labour market participation, therefore contributing to a more inclusive society.

FACTUAL EVIDENCE

- **An estimated 12 million workers in Europe** each year use the services of private employment agencies to enter the labour market, change jobs, upgrade skills or move toward permanent positions.
- **Private employment services provide a stepping stone:** In South Africa, just 15% of workers were in jobs before accessing agency work; the figure rises to 61% afterwards. In France, just 11% of workers had jobs before they took up agency work, and this figure jumps to 66% working due to agency work. In Norway, the percentage of people employed jumped from 16% to 65% due to agency work. In Sweden, labour market participation of agency workers rose from 34% to 85%.
- **Private employment services help young people to enter and stay in labour markets:** 35% of agency workers in Europe are under 25 years of age. Agency work is often their first opportunity to gain work experience.
- **Target groups benefit from private employment services:** 66% of agency workers were unemployed before seeking help from private employment agencies. In addition,

older workers (over 50 years) represent an increasing share of agency workers: in France and Belgium, the share of older workers as a percentage of agency workers is increasing at twice the rate of older workers in the wider labour market.

- **Across Europe, agency work is recognised as an effective channel to find a first job** (from 92% of population in the UK and 86% in Belgium to 71% in Italy and 59% in Germany) **as well as to find a full-time job** (from 90% in the UK and 78% in the Netherlands to 43% in Germany and 40% in Italy).

PRIVATE EMPLOYMENT SERVICES CONTRIBUTE TO MATCHING AND DEVELOPING THE SKILLS NEEDED IN LABOUR MARKETS

Shifting global demographics are creating a significant mismatch of talent around the world with labour shortages growing in the USA, Japan and Europe while the southern hemisphere is facing the prospect of more workers than jobs – and often, where jobs are available, workers do not have the skills needed. In addition to dealing with seasonal skills fluctuations, the industry enables the adaptation of skills to structural changes.

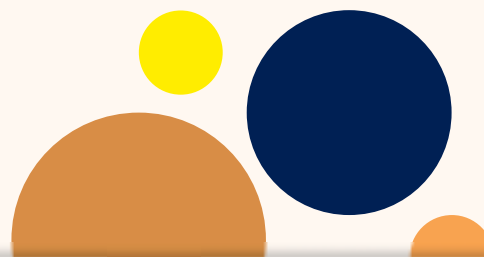
The activities of private employment services not only reflect sectoral shifts but also help economies to adapt to them. The industry is helping workers to move from declining sectors to in-demand ones. By providing access to vocational training, the sector also helps to plug the talent gap and to develop a higher-skilled workforce. Re-skilling and up-skilling lie at the very core of the sector and are central to its role in meeting demand with supply in employment markets.

By acting as an agent for workers, private employment services also help them to access the next assignment and ensure that they can transition

easily to further employment. Vocational training for agency workers is demand-driven and organised in close cooperation with user companies with a short-term and pragmatic approach catering especially well to lower skilled workers. As a result, agency workers can make sideward and upward transitions across sectors and geographies to benefit their career path.

FACTUAL EVIDENCE

- **Private employment services adapt skills to sectoral shifts:** In the USA, the professional sector [i.e. higher skilled agency workers] today accounts for 55% of the staffing market compared with just 36% back in 1995, reflecting the overall demand for a higher skilled workforce. In France, the percentage of agency workers placed in service industries has risen some 10% in the past ten years, reflecting and accompanying the shift to a more services-oriented economy.
- **Private employment services create skills:** In 7 European countries (Belgium, France, Luxembourg, Netherlands, Italy, Spain and Austria), sectoral training funds managed by social partners have been established to facilitate access to vocational training for agency workers. More than €500 million are invested every year by these training funds in schemes specifically designed for agency workers.
- **In the Netherlands, agency workers receive substantially more training than fixed term workers** and regularly undergo training to find new job opportunities. Due to the heavy representation of younger people in private employment services, 70% of agency workers undergoing training are younger than 35 whereas only 50% of permanent workers trained fall within this age bracket.



PRIVATE EMPLOYMENT SERVICES DELIVER DECENT WORK

The challenge for economies around the world is to marry workforce adaptation to change with the need for decent jobs as laid out in the International Labour Organisation's Decent Work Agenda. The organised and regulated private employment sector provides decent work and offers particular advantages when compared with other forms of external flexible work such as on-call work, fixed term contracts and outsourcing which can be very precarious for workers.

Because agency workers are the employees of the private employment agencies (whether temporary or permanent), the sector is in a unique position to negotiate their employment and working conditions. Where relevant, these employment and working conditions are negotiated with trade unions as the agency workers' representatives. Therefore, as the only form of flexible work organised as a sector on its own, the industry itself has concluded a large number of collective labour agreements with trade unions at national level, especially in Europe. As a result, agency workers are being protected by rights negotiated through collective bargaining, whether at sectoral or user-company level.

As such, the private employment sector is an enabler of social innovation. It has organised new ways to secure social protection for workers under labour relations that are different from permanent contracts. In several countries, the industry has developed schemes to ensure the portability and transferability of the agency workers' rights (health insurance, complimentary pension schemes, and vocational training).

In Europe, private employment agencies are often viewed as the embodiment of flexicurity due to their combination of flexibility and security for both companies and workers.

By promoting the need for proper regulation of the industry and encouraging strengthened quality standards, private employment services are respon-

sible employers working towards the sound and sustainable development of the sector. The industry is strongly committed to work hand-in-hand with governments and trade unions to fight abuses and illegal practices arising from untrustworthy, unethical and rogue private employment agencies as all parties have a common interest in doing so.

FACTUAL EVIDENCE

- **The industry is committed to developing constructive social dialogue:** In more than 25 countries around the world (18 in Europe, 7 outside Europe), the use of agency work is being regulated by collective labour agreements, whether negotiated at cross-sectoral, sectoral and/or user company level. In 2010 the Japanese Staffing Services Association (JASSA) signed a joint declaration with Rengo, the Japanese trade union confederation, on how to improve the treatment of agency workers and promote fair practices within the industry.
- These collective labour agreements led to the **establishment of bipartite funds jointly managed by sectoral social partners in several countries**, providing agency workers with extra protection through training (Belgium, France, Luxembourg, Netherlands, Italy, Spain and Austria), health & safety (Belgium, France, Netherlands), pensions (France, Netherlands, Italy, Switzerland) and complementary social benefits (Belgium, France, Netherlands, Italy).
- **The industry works closely with the International Labour Organisation and international trade unions (ITUC, UNI Global) to promote the adoption of appropriate regulation** on agency work in countries where such regulation does not yet exist, putting forward the provisions of Convention n°181 on private employment agencies as guidelines.

- **The industry has developed specific tools to ensure that quality standards and regulation (whether by law or collective bargaining) are being enforced:** In France (CPPNTT), Belgium (CNT) and the Netherlands (SNCU & SNA), bipartite bodies are in place to monitor and ensure compliance with existing regulation of agency work. In Belgium and Portugal, an Ombudsman has been established to deal with complaints from agency workers and to look for remedies. In Sweden and the Netherlands, where no licensing schemes exist, a certification system is in place to check conditions under which private employment agencies operate.
- **When asked about their working conditions, satisfaction among agency workers is very high.** Across Europe, a very large percentage of agency workers would recommend agency work to their family or friends, ranging from 83% in the UK and 76% in Poland to 74% in Belgium, 69% in France, 62% in the Netherlands and 55% in Italy. In France, 91% of agency workers have a positive perception of agency work (more than any other types of public, be they jobseekers, public or private sector workers or students): 93% are happy with their work, 89% with their work-life balance and 79% with their salary.

EFFICIENT LABOUR MARKETS NEED APPROPRIATE REGULATION FOR PRIVATE EMPLOYMENT SERVICES

In many countries, the private employment services industry already plays a key role in facilitating the adaptation to change, be it seasonal, cyclical or structural. However, in several others, the contribution of the sector to enabling change adaptation is still hampered by inappropriate, unbalanced regulation. In some cases, the industry cannot rely on a clear and stable legal environment due to the

lack of legal recognition of this specific triangular employment relationship. In some other cases, the industry still operates in a regulatory framework that was adopted decades ago, at a time when labour markets were substantially different. As a result, private employment services face conditions that are now outdated - such as the limitation of services and labour contracts to be provided, sectoral bans, too limited a number of reasons of use and too limited maximum duration of assignments.

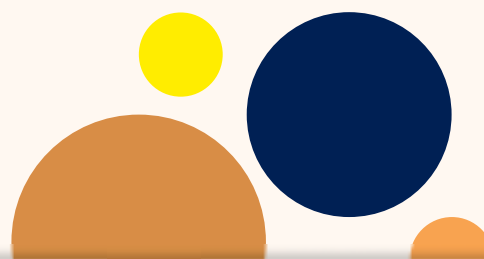
In order to assess how to optimise the contribution of the private employment services industry to better functioning labour markets, The Boston Consulting Group and Ciett have devised two indicators:

- A Regulatory Efficiency Index based on the regulation of private employment services in place in each national market.
- A Labour Market Efficiency Index, based on 6 objective criteria calculated for each country: overall employment rate, employment rate 15-24, employment rate 55-64, annual hours worked, labour participation rate and unemployment rate.

EXPLANATORY NOTE

To explore what would be the optimal regulatory framework for private employment services in order to deliver better functioning labour markets, The Boston Consulting Group and Ciett have identified four main types of environment in which private employment services currently operate:

- 1. Market driven** – Countries where private employment services and labour laws are relatively liberalised and corporations enjoy a high degree of freedom in determining the most suitable form of employment. Self-regulation also plays an important role in this cluster.



2. Social dialogue based – Countries where private employment services and labour laws are strongly influenced by negotiations between the social partners. In this environment social partners have the freedom to determine rules by negotiation.

3. Legislator driven – Countries where private employment services and labour law are mainly determined by government bodies and legislation both at national and regional level, with formal legislation comprising the main basis for labour law.

4. Emerging – Countries where private employment services are still young and labour laws and legislation are still being developed. Legislation is evolving with significant informal work in some cases.

Three important subgroups were identified within the Social Dialogue based environment creating a total of six types of country cluster in which private employment services operate.

When the country clusters are mapped against the Labour Market Efficiency Index, it becomes apparent that labour markets perform differently based on the characteristics of the environment. The market driven and Social dialogue based markets consistently perform better and display greater efficiency than those operating within a legislator driven environment (due to some outdated limitations on services and barriers to entry that the system places on private employment services and the lower capability of social partners to define the appropriate level of regulation). Emerging markets also demonstrate higher levels of inefficiency as their legal frameworks and social systems are still in development and do not enable the private employment services to play a role.

Importantly, the report does not seek to recommend one type of cluster over another. Indeed it acknowledges that there is no "one size fits all" solution and produces strong evidence to suggest that regulation

must be relevant to the culture, values and priorities of the market and its society.

While the private employment services industry has clearly developed differently in each cluster, it is a fact that when appropriately regulated, the sector is able to increase labour market participation by creating jobs, supporting the reduction of illegal work, attracting disadvantaged people to the labour market and allowing for more work opportunities and job options.

FACTUAL EVIDENCE

- **Countries with no specific regulation on agency work, or outdated regulation, rank poorly in terms of Regulatory Efficiency Index** (such as Turkey, Argentina, Chile, Greece, Luxembourg, Spain) while more mature markets in which regulation of private employment services has been developed and adjusted regularly to the needs of the labour markets show top scores (e.g. Netherlands, Sweden, USA, Denmark, UK, Australia, Belgium, Germany, France).
- **Countries showing higher scores of labour market efficiency are the ones where the private employment services industry has been able to operate for many years** (with the notable exception of France). By contrast, countries in which the sector has been opened only recently (e.g. Chile, Eastern Europe) or is still not appropriately regulated (e.g. Mexico, Luxembourg, Spain, Portugal) score lower.
- **Labour market effectiveness greatly influences countries' competitiveness:** there is a direct correlation between the scores of the Labour Market Efficiency Index and the World Economic Forum Competitiveness Index.

MOVING FORWARD

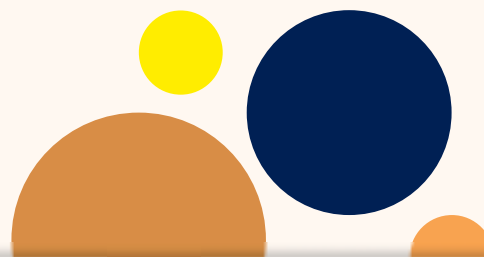
The report underlines that the industry is uniquely placed to support governments, companies and workers to cope with accelerating dynamics in labour markets and manage change, whether seasonal, cyclical or structural.

The report makes a number of recommendations for policymakers at international, regional and national level underlining that the private employment services sector can maximise its contribution to sustainable growth and play its role in offering solutions to meet the new economic reality.

1. **Policymakers should ensure that the regulatory framework** in place for the private employment services sector is appropriate thereby enabling it to play its role fully.
 - a. In countries where no specific regulation exists for the industry, a legal framework should be adopted; this could be achieved by using the ILO Convention n°181 on private employment agencies as a framework. Social partners should be closely associated in the definition of such a regulatory framework
 - b. In countries where specific regulation already exists, policymakers should regularly review the conditions and restrictions that apply to the use of private employment services, to ensure that they are not outdated or no longer justified based on the new reality of the labour market.
2. **Policymakers should recognise that the private employment services industry is a sector on its own.** As such, it should benefit from the freedom to collective bargaining and, if relevant, be able to negotiate with trade unions on the level of regulation and working conditions of agency workers.
3. **Appropriately regulated private employment services should be involved by policymakers in the designing and implementation of active labour market policies** - particularly through the development of public-private cooperation. Their contribution to facilitating transitions in the labour market, to increasing labour market participation by creating jobs and reducing undeclared work and to delivering decent work should be included in public employment policies.

Private employment services enable labour markets to adapt to change. In order to further enhance its contribution to decent work and better functioning labour markets, the sector also pledges to deliver a number of key actions.

1. **The sector commits to work alongside all relevant stakeholders including social partners in order to optimise regulation on private employment services.** It will put emphasis on gaining further ratification of the ILO Convention 181 on private employment agencies and/or ensuring that the key provisions of the Convention are being transposed in as many countries as possible around the world.
2. **The sector commits to ongoing action to improve the governance and the quality standards of the industry around the world.** It will push and support the establishment of national federations of private employment services in countries where none yet exist. It will enhance quality norms and codes of conduct and promote the adoption of complaints and remedies procedures to handle cases of malpractice.
3. **It commits to becoming an active career agent for workers** and representing more widely the challenges and opportunities of today's workplace and the initiatives needed, including up skilling, social innovation, career guidance and effective transitions in order to ensure decent work for all. To achieve this, the private



employment sector pledges to make further investments in more and better training of its own staff and agency workers.

4. **The sector will undertake greater communication efforts to explain the role that the industry plays in contributing to efficient labour markets and to fight against the unethical and illegal side of the industry.** In addition to conducting further research and investigations in conjunction with trade unions, the sector pledges to work with them to fight abuses and illegal practices arising from untrustworthy, unethical and rogue private employment agencies as both parties have a common interest in doing so. These unscrupulous agencies damage the image of the well-organised and responsible agencies, represent unfair competition and lead to the unacceptable abuse of workers.
5. **The sector commits to expanding its role as a labour market intermediary** partnering with all relevant stakeholders to deliver inclusive, well functioning, sustainable labour markets with high levels of participation and a coordinated approach to matching supply with demand.