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Agency working in the UK:
A review of the evidence

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Agency working in the UK: A review of the evidence

By
Employment Markets Analysis and Research (EMAR)

About EMAR

Employment Market Analysis and Research (EMAR) is a multi-disciplinary team of economists, social researchers and statisticians based in the Employment Relations Directorate of the Department for Business, Enterprise and Regulatory Reform.

Our role is to provide the evidence base for good policy making in employment relations, labour market and equality and discrimination at work. We do this through:

- Conducting periodic socio-economic benchmark surveys
- Commissioning external research reports
- Conducting in-house research and analysis
- Assessing the regulatory impact of new employment laws
- Monitoring and evaluating of the impact of government policies

For further details of EMAR's other work please see our web pages at:
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Executive Summary

There has been considerable policy attention on agency workers in recent times, particularly in the context of the ongoing discussions of the draft European Union Agency Workers Directive. This paper reviews key data on the agency sector with the aim of providing an authoritative and up-to-date picture.

Aims and methodology

The primary aim of this paper is to report on the evidence we have gathered so far on the agency working industry in terms of three main sources:

- **Survey of Recruitment Agencies (SORA)**, an EMAR led survey on agency workers;
- **Recruitment and Employment Confederation (REC)** data including their 'census' and monthly tracking survey;
- **Labour Force Survey (LFS)**

As well as the following additional evidence:

- Research led by REC and supported by EMAR;
- A number of academic papers referenced on page 20;

These sources are summarised in this paper to present the nature of the industry in relation to agency workers, the agencies and businesses that use agency workers. However, none of these sources are the definitive word on agency working; the aim of this report is to make an assessment on the best available evidence.

Main findings

Counting agency workers and agencies

- The best estimate for the number of agency workers comes from the REC 'census' and SORA business surveys of the agency sector. These figures show there are between **1.1 and 1.5 million agency workers, with the mid-point being 1.3 million**. The high turnover, the seasonality and the flexibility of agency work make it difficult to come to a definitive figure.
- From the same sources, there are an estimated **16,000 recruitment sites** (branches and offices). A number of large well-known agency businesses operate in this sector but there are also significant proportions (just under 60 per cent) of small single site agency businesses with between one and five employees who match agency workers with assignments.

Other key statistics

- Agency workers are **more likely to work in the manufacturing, transport, and financial services sectors** and **less likely to work in distribution, hotels, restaurants and the public sector** compared with all employees.
- Agency working is concentrated in larger organisations of 50+ employees.
- These business surveys also estimate that the **duration of assignment is less than three months for around 55 per cent of agency workers** who knew the length of time they had been on their current assignment.
- As agency workers are likely to be less experienced, permanent employees with shorter job tenure are a more appropriate comparator for the earnings differential. On this basis the Labour Force Survey (LFS) shows overall **hourly earnings of agency workers were 94 per cent of the level for all employees with less than two years in their company** (median wage comparison of £7.00 versus £7.48) in the fourth quarter of 2007.

Agency work characteristics

- Agency workers are more likely to be **younger, from an ethnic minority group but with broadly similar qualifications compared with all employees.**
- Although there are differences between the sources as to which sectors and occupations agency workers are most likely to be found in, the more frequently listed occupations are **professional, administrative, secretarial, personal services (e.g. social carers, class room assistants and workers in hospitality) and process/plant/machine operations.**

Other findings

- We find mixed evidence on satisfaction and well-being of agency workers. This suggests a fairly complex picture with agency workers having both positive and negative experiences.
- Other EU countries have similar issues trying to measure this workforce.

CHAPTER ONE

Introduction

1.1 The scope of agency work

In this report, the term 'agency' will be used for all types of businesses involved in providing employers with temporary workers. In this context 'agency workers' mean those workers supplied to a client – where the agency continues to pay the agency worker. It excludes those people who obtain work through agents in the entertainment and modelling sectors (including writers and professional sports persons).

Agency workers are a category within overall temporary work which is a wider group of workers including those on fixed-term contracts, casual or seasonal work contracts.

1.2 The number of agency workers

The high turnover, the flexible nature of agency work and how agency workers identify themselves make this a difficult group to measure in any conventional survey. In recent years, a number of surveys have tried to estimate the size of the workforce and reached different conclusions (Table 1.1). These differences reflect not only when the surveys were conducted, but also the definitions, questions set and collection method used. For further details of these sources see Annex A.

From among the sources in Table 1.1, we can say the best current estimate is somewhere between **1.1 and 1.5 million agency workers**, taken from the REC and SORA business surveys of the agency sector, **with the mid-point being 1.3 million**.

Table 1.1 Estimated agency workers in the UK

	SORA ¹		REC Census ²		Labour Force Survey ³	
	1999	2007	1997	2006	1998	2007
Key findings						
Number of agency workers	550,000	1,523,000	879,000	1,080,000	259,000	264,000
Percentage of total workforce	2.0%	5.2%	3.3%	3.7%	1.0%	0.9%
Other estimates						
Per cent working part-time	n.a.	43%	n.a.	n.a.	27%	27%
Full-time equivalent (FTE)	n.a.	1,196,000	n.a.	n.a.	189,000	194,000
Percentage of all FTE	n.a.	5.5%	n.a.	n.a.	0.9%	0.9%
Percentage of total wage bill	n.a.	4.1%	n.a.	n.a.	0.7%	0.6%
<small>Note: Figures not seasonally adjusted. All are for the United Kingdom except SORA 1999 (Great Britain). n.a. = not applicable or not available ¹ Survey of Recruitment Agencies, conducted by DTI in 1999 and BERR in 2007. ² REC is the Recruitment and Employment Confederation. ³ LFS data is from the October to December quarter (Q4).</small>						

As sources, we recognise the REC and SORA business surveys have their limitations but they are preferable to the Labour Force Survey (LFS) because of strong evidence this source underestimates the number of agency workers for the following reasons:

- The LFS interviews people and there is a lack of awareness by people who are employed by agency workers of their employment status.
- SORA 2007 found a significant number of assignments lasted less than a week - just 15 minutes in some cases. This indicates the extent to which high turnover and flexibility is present in this sector and the difficulties a household survey like the LFS will come cross when identifying respondents as agency workers (i.e. especially where such short assignments count as a second or even third job).
- The LFS does not directly target agency workers but tries to capture them in the 60,000 households surveyed each month.
- With a turnover of £29.3 billion and between 200,000 and 225,000 individuals employed by the labour recruitment and provision of personnel sector¹, it is likely that there is a larger agency worker population supporting this sector than current LFS estimates suggest.

A further discussion on the differences and limitations of the three sources is given in Annex B.

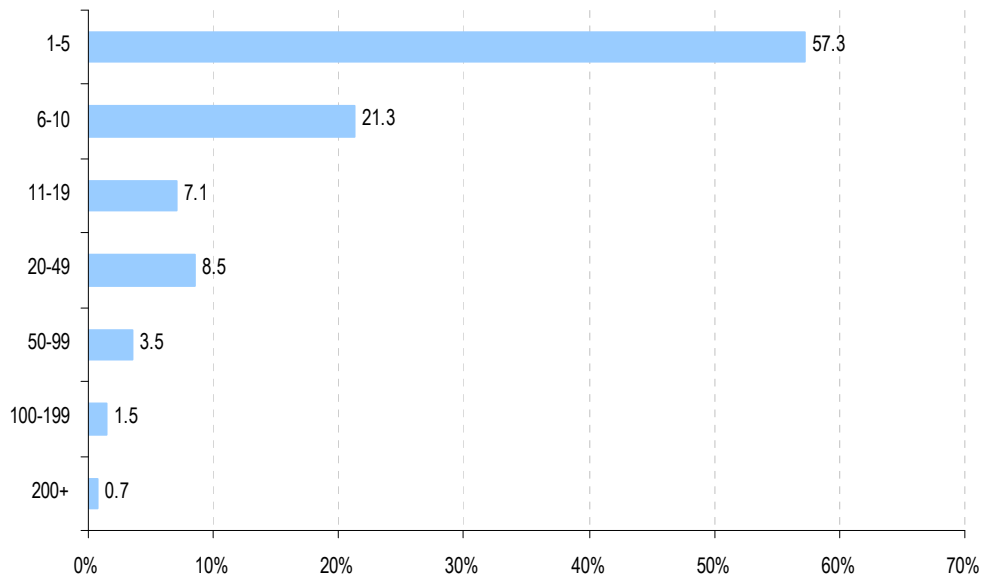
The **mid-point is suggested as the best point or 'mean' estimate** because agency work is highly seasonal. Thus a 'snapshot' or cross-section estimate, depending on the time of year it captures, could reflect a particularly high or low period for agency workers. SORA was undertaken between September and November 2007, a period where agency employment is slightly higher than for the year as a whole. The REC Census was undertaken in January, a period where agency employment is slightly lower than for the year as a whole.

¹ These figures will include staff and industry turnover from agencies dealing with permanent (for example head hunters) as well as temporary assignments. Industry turnover is reported from the Annual Business Inquiry (ABI) survey 2006 and staff numbers from the Labour Force Survey (LFS 2007 Oct – Dec Q4) and SORA 2007.

1.3 The number and size of agencies

There are **approximately 16,000 agencies across the UK and these employ a combined workforce of approximately 225,000 people to match agency workers with assignments** (SORA, 2007). As Chart 1 shows, most agencies are fairly small with 57 per cent employing between one and five people and around another 21 per cent employ between six and ten people. Less than one per cent of agencies employ more than 200 people.

Chart 1. Total number of employees on the payroll at each agency branch/office



Source: Survey of Recruitment Agencies 2007, BERR. Un-weighted base: 1,970. Proportions may not add to 100 due to rounding.

In terms of the types of agency, just over a half (54 per cent) of all establishments are single site agencies, that is, they consist of just one branch/office; the rest (46 per cent) are workplaces belonging to a larger organisation.

1.4 Who uses agency workers?

Table 1.2 shows the industry sectors using agency workers. While there are differences between the LFS and REC tracker especially within production industries (covering agriculture, energy, construction and manufacturing industries) suggesting possible misclassification, both sources show around a quarter of agency workers work in this sector and between a third and 45 per cent work in the private services sector (covering distribution, transport, communication, banking and finance). While the rest estimated between 30 and 40 per cent, work in the public sector and other industries.

Table 1.2 Proportion of agency workers by sector

		SORA 2007	REC Surveys	LFS 2007	All Employees - LFS
Production industries	Agriculture, forestry etc., energy and construction	-	21%	5%	8%
	Manufacturing	-	3%	20%	14%
Private services industries	Distribution, hotels and restaurants	-	13%	7%	20%
	Transport and communication	-	4%	11%	7%
	Banking, finance and insurance	-	16%	27%	16%
Public sector and other		-	42%	29%	36%

Source: SORA2007, BMGresearch, National Statistics (www.statistics.gov.uk)

Note: LFS data are an average of 4 quarters. 2007 weights. Proportions may not add to 100 due to rounding.

1 REC data re-weighted on valid responses.

Comments on the sources:

- The REC tracker survey samples 100 agency workers a month, this means that the margin of error is likely to be wide. The REC tracker was the only source available for this question and applies to 2006.
- The LFS is a household survey and respondents may misclassify the sector they work in.

The Labour Force Survey shows that there are some differences in where agency workers are found. Agency workers are **more likely to work in the manufacturing, transport, and financial services sectors** and **less likely to work in distribution, hotels, restaurants, and the public sector** compared with all employees.

1.5 Who uses agency workers by size band

Table 1.3 below demonstrates the distribution of agency workers by firm size – denoted here by the number of employees at the workplace. Compared to the distribution of all employees by firm size, it is clear that agency working is relatively more concentrated in larger organisations. For instance, **around a third of agency workers are in workplaces with fewer than 50 employees compared to almost half across all employees.**

Table 1.3 Distribution of agency workers by the number of employees at the workplace

	Agency workers	All employees
< 25	21%	34%
25-49	11%	14%
50-499	47%	34%
> 500	21%	18%

Source National Statistics (www.statistics.gov.uk)

Note: LFS data are an average of 4 quarters. 2007 weights. Proportions may not add to 100 due to rounding.

Comments on the data source:

- The LFS is a household survey and respondents did not always know how many people worked in their firms. Therefore the size ranges are fairly broad to incorporate their estimates.

CHAPTER TWO

Key statistics on agency workers

2.1 Length of time on assignment

According to the Survey of Recruitment Agencies (SORA) 2007 the length of assignment varies greatly, (see Table 2.1). While around 225,000 (18 per cent of valid responses) agency workers had been on assignment for less than a week, 140,000 (11 per cent of valid responses) had been in the same assignment for longer than a year.

It should be noted that responses relate to the length of time a person has been on a temporary assignment and not the length of time the assignment was expected to last for. In addition, a significant proportion (16 per cent) of agencies was unable to provide details about assignment lengths.

Table 2.1 Length of time on assignment

Time on assignment	SORA ¹	LFS ²
Less than		
1 week	18%	-
6 weeks	37%	-
3 months	55%	29%
6 months	75%	52%
1 year	89%	71%

Source: Survey of Recruitment Agencies 2007, BERR. Un-weighted base: 1,930.

National Statistics www.statistics.gov.uk

¹ SORA data re-weighted on valid responses.

² LFS data are an average of 4 quarters. 2007 weights.

Comment on the sources:

- SORA asked agency businesses how long their workers had been on assignment for and many of these answers would have been estimated hence resulting in less reliable results.
- The LFS used a different methodology which makes it difficult to estimate exactly the length of assignment. For example, the survey asks the month respondents started their current assignment but not when in the month they started, so if they started in the previous month it could be eight weeks or three days ago but this range will translate as one month in the LFS.
- Further, there may be confusion among agency workers responding to the LFS whether a new assignment with the same agency counts as continuous employment; this may exaggerate the length of assignment.

We conclude that the **duration of assignment is less than three months for around 55 per cent of agency workers** who knew the length of time they had been on their current assignment.

2.2 Earnings comparisons

Standard labour market theory suggests that voluntary sorting in the labour market will lead to a matching between worker preferences and job characteristics. Therefore, agency work will tend to attract people who want or need flexibility or are undecided about their choice of career. These are more likely to be younger people, single workers, women and older workers, who tend to earn less due to differences in human capital (Ford & Slater, 2005).

Ford and Slater (2005) found that wage gaps are reduced when differences in the composition of agency and permanent workers are taken into account, although they remain relatively large and significant for agency workers.

As indicated by the SORA job tenure statistics (Table 2.1), agency workers are likely to be less experienced. Therefore permanent employees with shorter job tenure are a more appropriate comparator for the earnings differential. Table 2.2 shows the hourly earnings of agency workers compared with this group, according to LFS data.

	Agency workers	All employees less than 2 years at company
All	£ 7.00	£ 7.48
Full time	£ 7.09	£ 8.57
Part time	£ 5.83	£ 5.80

Source: National Statistics (www.statistics.gov.uk)
Note: LFS data based on Q4 2007 - 2007 weights.

Comments on the source:

- The LFS is the only data source available for hourly earnings of agency workers. This source has its limitations because it is a household survey and respondents are quite often reluctant to respond to earnings questions.
- The other limitation with the LFS is there are too few respondents who say they are agency workers. This increases the variance around any median value.

The Labour Force Survey (LFS) shows overall **hourly earnings of agency workers were 94 per cent of the level for all employees with less than two years' service in their company** (median wage comparison of £7.00 versus £7.48) in Q4, 2007. Employees with less than two years' service in their company, in turn earn less than all employees.

CHAPTER THREE

Agency workers: Who, what and why?

3.1 Who does agency work?

Agency workers are more likely to be younger, from an ethnic minority group but with broadly similar qualifications compared with all employees. This was the conclusion of research based on the Labour Force Survey carried out by Forde, Slater and Green (2008); we use a wider range of evidence to support these findings.

a) Gender

Table 3.1 shows the differences in proportion of agency workers who are female between the three main survey sources. The LFS and SORA 2007 show similar proportions of males and females of around 55 and 45 per cent respectively. The REC survey shows that the proportion is around 42 and 58 per cent respectively.

	SORA 2007	REC Surveys	LFS 2007	All Employees - LFS
Female share	43%	58%	44%	49%

Source: SORA2007, BMGresearch, National Statistics (www.statistics.gov.uk)
Note: LFS data are an average of 4 quarters – 2007 weights.

Comments on the three sources:

- The REC tracker survey used a small sample of agency workers. A small sample means that there is a greater margin of error and hence the results are less reliable.
- In the SORA 2007 survey, one in 12 agencies were not able to provide information on the gender split of their agency workers.
- Although the LFS underestimates the number of agency workers, the demographic proportions are likely to be more representative.

What can be concluded is the **proportion of agency workers who are female is lower than the proportion of all employees who are female.**

b) Age

Table 3.2 shows the differences in proportions of agency workers by age. The LFS reports that 33 per cent of workers are under 25 years of age, and a further 28 per cent between 25 and 34. The remaining 39 per cent are 35 or over. The REC survey reports many more older workers with 22 per cent being over 55, and in total nearly 66 per cent of workers are 35 or older with about 33 per cent aged between 16 and 34.

Table 3.2 Proportion of agency workers by age band

	SORA 2007	REC Surveys	LFS 2007	All Employees - LFS
16 - 24	-	15%	33%	16%
25 - 34	-	21%	28%	23%
35 -44	-	19%	15%	26%
45 - 54	-	21%	14%	22%
55 - 64	-	22%	10%	13%

Source: SORA2007, BMGresearch, National Statistics (www.statistics.gov.uk)

Note: LFS data are an average of 4 quarters. 2007 weights. Proportions may not add to 100 due to rounding.

Comments on the two sources:

- The REC tracker survey had a small sample and a small response rate. A small sample usually has a greater margin of error and hence the results are less reliable.
- Although the LFS underestimates the number of agency workers, the proportions are likely to be more representative.

We can conclude there are **more agency workers aged under 35 compared with all those who are employees.**

c) Minority groups

Table 3.3 shows the differences in the proportions of agency workers who belong to a minority group. Both the REC survey and the LFS report similar proportions of people who are from a minority group; 31 per cent and 32 per cent respectively. Around five per cent of agency workers are Asian and around seven per cent are Black. Around 20 per cent are from non-British nationalities including Eastern European. There are slight differences between the survey sources in terms of those who have a long term disability or health issue, with seven per cent from the REC survey and 11 per cent from the LFS.

Table 3.3 Proportion of agency workers who are in minority groups

	SORA 2007	REC Surveys	LFS 2007	All Employees - LFS
Proportion who are from an minority group:	-	31%	32%	15%
Of which:				
Asian	-	4%	5%	4%
Black Caribbean	-	3%	2%	1%
Black African	-	5%	4%	1%
Other, including Eastern European	-	19%	21%	9%
Proportion who have declared a disability or long-term illness	-	7%	11%	13%

Source: SORA2007, BMGresearch, National Statistics (www.statistics.gov.uk)
Note: LFS data are an average of 4 quarters. 2007 weights.

Comments on two sources:

- The REC tracker survey had a small sample and a low response rate. However, its results appear to be in line with the LFS.
- The definitions of disability or long-term illness are likely to be subtly different, because the REC survey asked a single question on disability, whereas the LFS asked several detailed questions about respondents' health and their ability to work. This multistage approach is likely to lead to a difference in response patterns, as it encourages people to think more comprehensively about their health. This leads to more informed and accurate data.

There are significantly **more agency workers who are from a minority group (including Eastern Europeans) compared with all employees.** There are **fewer people with disabilities who are agency workers compared with all employees.**

d) Qualifications

Table 3.4 shows the qualifications of agency workers. The LFS shows that around eight per cent of agency workers have no qualifications, 23 per cent have other qualifications and 19 per cent have GCSEs or equivalent. 20 per cent have A-levels or equivalent and 30 per cent have a higher qualification or a degree.

Table 3.4 Proportion of agency workers who said they had qualifications

	REC Surveys 1		LFS 2007	All Employees - LFS
Postgraduate degree or doctorate, NVQ level 5 or Equivalent	11%	Degree	23%	23%
Degree, HND, HNC, NVQ level 4 or Equivalent	28%	Higher education	7%	10%
A'Levels NVQ level 3 or Equivalent	25%	A'level or equivalent	20%	23%
GCSE, O'Levels, NVQ level 2 or Equivalent.	45%	GCSE or equivalent	19%	22%
Other	17%	Other	23%	12%
None of the above	15%	None	8%	8%
Total	141%		100%	100%

Source: SORA2007, BMGresearch, National Statistics (www.statistics.gov.uk)

Note: LFS data are an average of 4 quarters and show highest qualification held and use 2007 weights. Proportions may not add to 100 due to rounding.

1 REC shows proportion that held each qualification level.

Comments on sources:

- The LFS specifically requested respondents to give their highest qualification only, so the pattern of responses adds up to 100 per cent.
- In contrast, in the REC survey, respondents often reported more than one qualification resulting in multiple answers and a sum of responses in excess of 100 per cent.

Based on the 2007 LFS, **agency workers have broadly similar qualifications compared with all employees.**

3.2 What jobs do agency workers carry out?

This section should be read in the following context: during the SORA 2007 exercise a potential inconsistency regarding the number of temporary assignments was highlighted. In some cases, agencies record one temporary assignment as one job, whereas other agencies record one temporary assignment on a client basis, which could consist of many jobs. Adjustments were made to reflect this where the information was available. However, it is not possible to identify how many more agencies count assignments by clients rather than jobs. It should be noted that the number of temporary assignments may result in an underestimate of the total number of jobs.

According to the SORA 2007, agency workers are employed across a broad range of occupational groups, although some make more use of agency workers than others (see Table 3.5). For example, 26 per cent of agencies provide agency workers for the personal service occupations (i.e. health, education and hospitality).

Table 3.5 Agencies and occupations

Occupation group	% of agencies providing agency workers to occupation group
Managers and senior officials	29%
Professional occupations	36%
Associate professional and technical occupations	25%
Administrative and secretarial occupations	38%
Skilled trades occupations	27%
Personal service occupations	26%
Sales and customer service occupations	24%
Process, plant and machine operatives	36%
Elementary occupations	21%
Total	262%

Source: Survey of Recruitment Agencies 2007, BERR.

Note: For this question, respondents chose more than one reason so proportions do not add up to 100%.

Over half (approximately 57 per cent) of temporary assignments were full-time compared to 43 per cent part-time. According to the LFS, 25 per cent of agency workers were part-time, the same proportion as all employees.

Table 3.6 is a comparison between SORA and the LFS showing in which occupations agency workers are located. There are some differences between the two surveys, especially in administrative, personal services and elementary occupations.

Table 3.6 Proportion of agency workers by occupation

	SORA 2007	REC Surveys	LFS 2007	All Employees – LFS
Managers and senior officials	3%	-	2%	15%
Professional occupations	12%	-	9%	13%
Associate professional and technical occupations	5%	-	7%	14%
Administrative and secretarial occupations	9%	-	26%	13%
Skilled trades occupations	7%	-	4%	8%
Personal service occupations	33%	-	7%	8%
Sales and customer service occupations	3%	-	4%	9%
Process, plant and machine operatives	20%	-	15%	7%
Elementary occupations	7%	-	25%	13%

Source: SORA2007, BMGresearch, National Statistics (www.statistics.gov.uk)

Note: LFS data are an average of 4 quarters. 2007 weights. Proportions may not add to 100 due to rounding.

Comment on sources:

- The LFS is a household survey and respondents may also misclassify the sector they work in.

Although there are differences between the sources as to which sectors and occupations agency workers are most likely to be found in, the more frequently listed occupations are **professional, administrative, secretarial, personal services (e.g. social carers, class room assistants and workers in hospitality) and process/plant/machine operations.**

3.3 Why do people choose agency work?

According to the Survey of Recruitment Agencies 2007 (SORA) agency work provides a route into permanent employment for many workers. Over the course of a year, the survey found that around 340,000 people found permanent work as a result of having previously worked for a particular employer in a temporary capacity.

REC research also found that 63 per cent of temporary workers chose temporary work because they were unemployed (see table 3.7). A further 39 per cent chose temporary work for other reasons, such as earning during a career break, earning while studying and other reasons. The LFS asked the question in a different way (table 3.7) and 58 per cent of agency workers stated that they could not find a permanent job and 20 per cent saying they did not want a permanent job.

Table 3.7 Agency workers' reasons for choosing temporary work

	SORA 2007	REC Survey ¹	LFS 2007
Unemployed	-	63%	-
When on a career break of own choice	-	39%	-
Part time employment	-	37%	-
In education	-	36%	-
In full time employment	-	35%	-
Total		210%	
Could not find permanent work	-		56%
Did not want permanent work	-		21%

Source: SORA2007, BMGresearch, National Statistics (www.statistics.gov.uk)
¹ For these questions, respondents chose more than one reason so proportions do not add up to 100%.

Comment on sources:

- In the REC research, respondents were allowed to provide multiple answers which meant the results add up to more than 100 per cent. This produces a different response pattern to the LFS, where respondents were given a single choice.
- Although the LFS underestimates the number of agency workers, the proportions are likely to be more representative – but there will be a greater margin of error.

Around **60 per cent** of agency workers chose temporary work because they **could not find a permanent job**. **Between a third and a fifth did not want a permanent job**.

Research by Ford and Slater (2005) using panel data from the LFS over the period 1993 to 2000 assessed the extent to which agency employment constitutes a bridge into more stable employment. They found that almost half of their pooled sample of agency workers makes the transition to permanent employment over the course of a year (48 per cent), However, some 38 per cent were observed to still have been in agency work one year later, while seven per cent became unemployed and a further seven per cent left the labour force altogether.

In terms of transitions to permanent work, age reduces the likelihood of a move (with the likelihood falling at an increasing rate). The presence of a dependent child is associated with an increased likelihood of moving into permanent employment, rather than

remaining temporary, perhaps lending some support to the notion that agencies may be used as a 'stepping stone' to permanent work for those returning to the labour market. However, interactions between gender and the presence of a child, or children and labour market entry were found to have no significant impact on the likelihood of a move into stable work. Higher levels of education were also not found to increase significantly the probability of a move to permanent work, although those with higher qualifications are generally less likely to move into unemployment. Yet those with qualifications below degree level and those with 'other' qualifications are found to be less likely to leave agency work for a permanent job.

The evidence shows that temporary work clearly does have a role to play in some peoples' lives; 20 - 30 per cent did not want permanent work. Indeed, some people prefer the flexibility of being able to work when it suits them or when they are available for work. REC research showed that 33 per cent of people chose agency work while they were in education. 33 per cent chose agency work when they were in full time employment. For these people, the flexibility of agency work allowed them to earn extra cash.

CHAPTER FOUR

Agency workers in the workplace

4.1 Demand for agency workers

According to recent REC research supported by BERR, agency workers provide:

- A flexible buffer that can be adjusted rapidly in the face of uncertain or fluctuating demand.
- A replacement for workers on leave, or to provide cover while firms attempt to recruit permanent workers.
- A system which allow firms to ‘try-out’ potential permanent recruits at little or no risk.
- Staff for short-term ad hoc tasks.

Other research undertaken by Boheim and Zweimuller (2007) using the Workplace Employment Relations Survey (WERS) 2004² finds:

- Large firms are significantly **more** likely to hire agency workers than small firms.
- Firms that offer non-wage benefits are **more** likely to hire agency workers, thus saving labour costs by excluding some workers from benefit payments.
- Workplaces that offer flexible working practices are **more** likely to hire agency workers.
- Where firms spend more time training their staff in specific skills, there is **less** likelihood of hiring agency workers.
- The presence of unions does not have a significant effect on agency workers.

In fact, Boheim and Zweimuller (2007) find evidence that the use of agency workers by firms is not fixed over time. In panel estimates, they found that 60 per cent of firms who used agency workers in 1998 did not use them in 2004. Conversely, 13 per cent of firms that did not hire agency workers in 1998 hired them in 2004.

² Covers private sector only.

Table 4.1 Reasons for the use of agency workers, (management responses)

Per cent of workplaces.	1998	2004
Short term cover for staff absence/vacancies	60.6%	57.7%
Matching staff to peak demands	36.8%	37.2%
Unable to fill vacancies	18.2%	23.8%
Cover for maternity leave or annual leave	15.0%	16.9%
Freeze on permanent staff numbers	12.1%	4.2%
Obtain specialist skills	12.4%	9.0%
Total	155.1%	148.8%

Source: WERS 1998, 2004

Note: Work places with 10 or more employees. Weighted estimates using the stratification and workplace weight variables provided by WERS. For this question, respondents chose more than one reason for choosing temporary employment so proportions do not add up to 100%.

4.2 Satisfaction in the workplace and with the agency

Evidence on the well-being or satisfaction of agency workers is mixed. For example:

Based on a survey of 642 UK workers from 19 organisations including 25 per cent on temporary contracts, Guest and Clinton (2006) found that workers on temporary contracts reported better well-being, better general health, more positive attitudes to work and better work behaviour than their permanent counterparts, before and after controlling for a range of individual and organisational characteristics. While the most positive attitudes were among high skilled temporary workers who wanted temporary contracts, even low skilled workers who would have preferred permanent employment reported more positive attitudes than workers with permanent contracts.

Recent research done by REC supported by BERR examined agency workers' expectations and roles. This found that attitudes of agency workers were generally positive:

- More agency workers valued the provision of regular work, efficiency and helpfulness of agencies over benefits and development opportunities.
- However, agency workers were more satisfied with their agency on the provision of regular work, efficiency and helpfulness of the agency. They were less satisfied with benefits and development opportunities.
- 33 per cent of agency workers find it hard to get suitable temporary employment.
- 50 per cent of agency workers would accept their temporary job on a permanent basis.
- 40 per cent of agency workers had been offered training or learning in their most recent role. Of the two-fifths, half had been offered off the job training.
- The majority of training is offered by the client business (78 per cent).
- 17 per cent of agency workers had a performance review and 12 per cent of agency workers were given careers advice.
- 66 per cent are satisfied with their pay.

Table 4.2 shows how many people are satisfied with agency companies. REC provides the only available source on satisfaction of agency workers. This shows the majority of them, 84 per cent, are satisfied or very satisfied with their agency.

Table 4.2 Overall satisfaction with agencies

	SORA 2007	REC Survey	LFS 2007
Very satisfied	-	49%	-
Fairly satisfied	-	35%	-
Neither	-	5%	-
Fairly dissatisfied	-	6%	-
Very dissatisfied	-	3%	-
Don't know	-	1%	-

Source: SORA2007, BMGresearch, National Statistics (www.statistics.gov.uk)

Note: Proportions may not add to 100 due to rounding.

Forde and Slater (2006) provide different evidence from that of Guest and Clinton (2006) and recent REC research. Their research focused on the 'triangular relationship' between the agency, agency worker and the client firm. They suggest that this complicates matters of commitment and responsibility, which reduces the impact of HR policies in areas such as job enrichment, greater autonomy and employee involvement.

They find that agency workers have significantly lower levels of job satisfaction than other workers. Agency workers are significantly less likely to report satisfaction with their promotion prospects, job security and pay than other workers. Agency workers are also less likely to report satisfaction with management. However, it is unclear whether agency workers are referring to the agency's management or the client firm. Here, Forde and Slater again point to the ambiguity of the triangular nature of agency work and point out that this is causing problems in some cases.

The three papers should not be perceived as conflicting evidence but rather as complimentary stories. Agency workers have both good and bad experiences and therefore all the evidence shows valid stories of agency workers' experiences.

CHAPTER FIVE

European comparisons

5.1 European comparisons of agency workers numbers

In their papers, Storrie (2002) and Arrowsmith (2006), find evidence that most countries in Europe have difficulties trying to collect data on agency workers. Few countries use their Labour Force Surveys to gather data on agency working. Those that do, like the UK, have problems with the quality of responses. They report that the number of agency workers is underestimated by their Labour Force Surveys, for similar reasons described in 2.1 and Annex B. Storrie (2002) notes that agency work is short-term and says

“it may be difficult to accurately capture the dynamics of such a rapidly moving market”.³

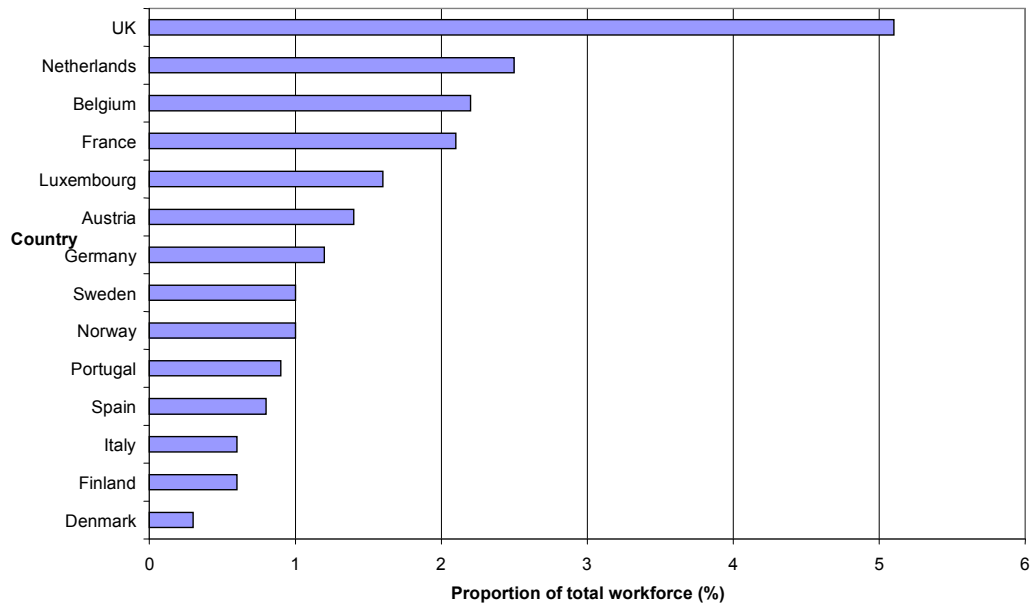
However, he notes that some European sources may overestimate the number of agency workers because they may not be able to distinguish between stock and flow data. For example, there may be lots of people registered with an agency but only a few of those may be actively working at any one time.

Another reason why comparing the number of agency workers across Europe is not straight forward is because legal definitions differ. Storrie (2002) managed to find a workable definition that applied to most of Europe but the UK model of agency working did not fit very well into the definition.

Chart 2 uses data from Arrowsmith (2006) to give the most recent indication of how agency working compares across Europe. This shows the UK has the highest percentage of agency workers out of the total workforce for any EU country, but these comparisons depend greatly on the source chosen for each country and these are not always comparable.

³ Source; “Temporary agency work in the European Union”, page 2.

Chart 2. Agency workers as a percentage of total workforce by EU country



Source: Temporary agency work in an enlarged European Union, Arrowsmith (2006)

Note: Direct comparability of the proportion of workforce is limited as several figures may be calculated either from absolute numbers or expressed in terms of full-time equivalents.

CHAPTER SIX

Concluding remarks

- This paper presents the most robust and up-to-date information on agency workers, agencies and the businesses that use them.
- The high turnover, seasonality and flexibility of agency work make it a difficult group to measure in any conventional survey.
- Particular difficulties were encountered with the surveys sources because they were conducted at different times of year, but more importantly they held different definitions, set different questions and collected information in different ways.
- Further work is still required to understand how agency workers identify themselves. This will improve the accuracy of the overall numbers as well as the information collected generally.

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Annex A: Main sources background

Table 1 summarises information on the main surveys of agency working in the UK. All except the 1999 Survey of Recruitment Agencies are UK-wide. However, SORA and REC are fundamentally different from the LFS since they are surveys of agencies, whereas the LFS is a survey of households. Note that surveys were conducted at different times of the year, and with widely varying response rates.

Table A.1. Surveys of agency workers in the UK

	SORA ¹		REC Census ²		Labour Force Survey	
	1999	2007	1997	2006	1998	2007
Scope	GB	UK	UK	UK	UK	UK
Survey conducted by	BMG	Experian	REC	BMG	ONS	ONS
Survey period	Jan-Feb 99	Sep-Nov 07	Nov. 1997	Jan. 06	Oct-Dec 98	Oct-Dec 07
No. establishments surveyed	1,218	1,980	n.a	4,529	n.a.	n.a.
Response rate	n.a.	48%	7-8%	42%	n.a	59.9%

Notes: Figures not seasonally adjusted.
n.a = not applicable or not available

1 Survey of Recruitment Agencies, conducted by DTI in 1999 and BERR in 2007.
2 REC is the Recruitment and Employment Confederation.

i) Survey of Recruitment Agencies 2007

The Survey of Recruitment Agencies (SORA) 2007 was conducted on behalf of BERR by Experian. A sample was drawn from Experian’s National Business Database in July 2007. In total, 33,417 records were available within SIC classification 7450 (labour recruitment and provision of personnel) with an additional 4,911 records identified from other SIC codes. Experian’s National Business Database was chosen as the sample source as it is one of the most comprehensive business site databases available. Its three main sources are Companies House, Yellow Pages and Thomson Directories.

A random sample of 6,000 records was released to interviewers and fieldwork took place between Thursday 27 September and Wednesday 21 November 2007 at Experian’s affiliated fieldwork centre. A response rate of 48 per cent was achieved, based on 1,980 completed interviews.

ii) REC Census

The REC Census was carried out in January 2006. The sampling frame was based on the Yellow Pages Business database and 13,000 businesses were contacted. Around 4,500 interviews were completed by CATI (Computer Assisted Telephone Interviewing). The REC also carries out small monthly surveys to track trends in the number of agency workers and also tracks qualitative trends as well.

iii) Labour Force Survey (LFS)

This is the main source for information on the labour market in the United Kingdom. It is a random household survey of approximately 57,000 households conducted every three months by the Office for National Statistics (ONS). The LFS asks respondents whether they completed any paid temporary work in the last seven days. The LFS is a sample survey and consequently estimates are subject to both sampling and non-sampling error.

Annex B: Alternative estimates of the number of agency workers

Further explanation is presented here on the differences between the three survey sources on agency worker numbers (SORA 2007, REC 2006 and LFS). The key differences are:

- No two surveys were conducted in the same period of time and each estimate represents a snapshot in time – not a year average. This is important because the nature of agency workers is highly seasonal.
- The definitions, questions and the collection method of each survey was different. These differences are examined in the following subsections.

Misclassifications

In responding to the LFS not all workers are sure of their employment status. Some agency workers, for example, may report they are employed by the organisation they are currently working at. The wording of the LFS questions may also result in misclassifications. Respondents are not asked if they are employed by an agency. They are simply asked to describe their temporary status, and given five choices: fixed contract, seasonal, casual, agency workers and other. A large number of agency workers may self-categorise themselves as other types of temporary worker. Both the REC and SORA directly target agency workers through the agencies themselves.

Survey collection methods

All the survey results, except for the Labour Force Survey, may include an element of double counting as a worker doing two jobs at two different agencies could potentially be counted twice. We cannot quantify the extent of double counting in the SORA 2007 survey. However, we do not think that this double counting is significant as only 12 per cent of establishments were included in the survey sample. The chances that an agency worker with two agency jobs would have been counted twice in the survey are therefore quite low.

The last REC Census is for 2006, while SORA was undertaken in 2007. However, an estimate of the REC 2007 annual average from the monthly tracker surveys is similar to the SORA 2007 annual average. We calculated the REC 2007 annual average by multiplying the annual average number of workers per agency from the REC monthly tracker survey by the number of agencies in the REC census.⁴ This gives an estimate of 1.44 million, which is not significantly different from the 1.50 million SORA 2007 annual average estimate. There are also some methodological differences between the two surveys. However these are probably not important in explaining differences between the two survey's estimates of the number of agency workers.

Labour recruitment sector – inferential evidence

The SORA 2007 sampling frame suggests there are around 16,000 agency sites with a combined workforce of around 225 000. This suggests a large temporary workforce must be in place to support these businesses. We cannot estimate the number exactly because many of these agencies arrange permanent placements as well.

However, it does suggest that the LFS numbers are probably too low because it is economically unlikely that 270,000 agency workers support 225,000 agency staff. We assume that most agencies charge a mark-up fee on wages of between 20 per cent and 30 per cent and this suggests that a number of agency workers are needed to support each agency employee.

This last bit of evidence on the number of agency workers is based on inferential methods and these are not an exact science. While we cannot rely too heavily on these methods, it does help to suggest that the LFS numbers might be too low.

⁴ The REC100 aims to survey 100 different agencies on a monthly basis on the total number of agency workers employed. The average of the number of workers employed per agency per month is used to obtain a three month moving average figure for tracking purposes. The average over 2006 is around 90 workers per agency site. There are around 15,970 sites according to the REC census. So there were 1,440,000 agency workers in 2006.

Annex C: Survey of Recruitment Agencies – Further background information

This section provides further background information on SORA 2007, which was conducted in autumn 2007.

About the SORA project

The Survey of Recruitment Agencies (SORA 2007) was conducted in the autumn of 2007 to assess the nature and extent of temporary agency working in the UK. It is a follow up to the first Survey of Recruitment Agencies, which was conducted in 1999 to measure the industry and provide the then Department of Trade and Industry (DTI) with the evidence needed to assess the impact of changes in employment agency legislation. At the time information about the sector was limited and the results of the survey highlighted the widely differing estimates of the extent of temporary working in the labour market.

Eight years on, temporary agency working is still a topical policy issue and there continues to be a need for robust information and evidence on the size and scope of the sector. Therefore, in 2007 the Department for Business, Enterprise and Regulatory Reform (BERR) commissioned Experian to conduct a second survey.

The private recruitment industry

The private recruitment industry is made up of agencies and businesses providing permanent and temporary workers to employers. Typically, the main purpose of an employment agency is to provide an employer with permanent employees, whereas the main purpose of an employment business is to provide an employer with temporary workers. However, these terms are sometimes used interchangeably and there are a number of organisations that operate as both an agency and a business.

It is important to note that the focus of SORA 2007 was centred on temporary working and, as such, any agency/business that only provides permanent employees (for example head hunters) were not included in the survey. For the purpose of this report any reference to 'agency' means an establishment whose commercial work includes assigning workers to temporary jobs (or 'bookings').

SORA aims and objectives

The main objectives of the study were to identify:

- the number of agencies providing temporary workers;
- the number of people registered with agencies;
- the number of people in temporary bookings;
- the length of temporary assignments;
- the extent to which agency work lead to permanent employment with the same employer;
- the types of jobs being done by agency workers;
- and information on the services being provided by agencies to workers.