

Geographies of Temporary Staffing Unit

Working Brief 18

Uneven Geographies of Temporary Staffing: Penetration Rates and Market Size

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Introduction

As the numbers, and types, of contingent labour placements have increased across a growing range of market sectors and geographical territories, so the roles performed by, and the revenues realised by, temporary staffing agencies have grown. So, in 2003 the global market for temporary labour was worth over \$120 billion. And yet despite the realisation of this growth data on temporary staffing remains of poor quality. Information on firms and on markets is not readily available, and those inside the industry have produced a series of indicators to make judgements on the state of national markets.. One of the key measures used by those inside and those who comment on the staffing industry to quantify temporary staffing is 'penetration rates' (temporary employment as a percentage of the total working population). This Working Brief aims to briefly outline the difficulties associated with generating, and analysing, data on temporary staffing before presenting currently available data on penetration rates across a number of geographical territories.

Penetration Rates: geographical unevenness and temporal inconstancies

While the use of penetration rates as a measure of temporary staffing provides a useful tool with which to measure growth, or decline, there are a range of methodological concerns related to this measure. These concerns relate in the main to issues surrounding comparability across geographies and the organisation of reporting, rather than the measure *per se*. This section will briefly outline these concerns before the following section discusses what data are available and what it reveals about staffing markets.

- The availability of penetration rate data is patchy. The International Confederation of Private Employment Agencies (CIETT) has made a concerted effort to collect and collate all available data. However, even this organisation is unable to draw data from particular

territories where data are not collected, relying instead on industry estimates which can vary widely.

- Where data is collected at the national scale, a variety of different definitions are used regarding 'temporary labour', rendering comparison across territories difficult. For example, even in one of the most established staffing markets, the UK, the exact number of UK temps is in dispute. The Department of Trade and Industry estimates that there are 600,000 (or 2.5%) temporary workers, compared with the industry body – the Recruitment and Employment Confederation - putting the figure as high as 1.4 million. A recent report by the European Foundation for the Improvement of Living and Working Conditions estimates that the penetration rate is 3%, compared to CIETT's estimate of 5.1%. These inconsistencies are a direct result of how analysts have defined temporary labour, including, for example, whether they include contractors in that figure, or workers on short-term fixed contracts. This is not a problem unique to the UK, and serves as a warning about the comparability of national penetration rates.
- The reporting of figures on temporary staffing has been inconsistent over time. Staffing agencies, industry associations and national governments in more established staffing markets such as the US, UK, the Netherlands and France, have been reporting figures for a number of decades. However, beyond these staffing 'heartlands', reporting has been more inconsistent and often relates to regulatory change. The data presented in Table 1 below shows that figures are not available for a large number of countries. In the majority of cases this is due to the sheer lack of temporary staffing in those markets before certain dates. For example, the legalisation of temporary staffing in Italy occurred in 1999, so figures are not available until 2001. Similarly, temporary staffing activities in many Eastern European countries such as the Czech Republic and Poland historically occurred beyond the gaze of regulators, and therefore beyond the remit of government data collection. Regulatory change in Eastern European markets has meant that we are now gradually receiving more information on these markets. In addition, the membership of staffing firms to national industry associations, and affiliation to CIETT, greatly enhances the ability of CIETT to collect and publish meaningful data on penetration rates. Finally, penetration rates are an official indication of temporary staffing in formal employment sectors, and therefore do not reveal levels of staffing in informal sectors of economies. As the figures represent an annual average figure, seasonal variations in the use of temporary staffing, such as in tourism or agricultural sectors, are also not reflected.

Outlining Current Penetration Rate Data

Despite the concerns with penetration rate data discussed above, it remains one of the few available methods by which we can track industry change across the world's staffing markets.

Table 1 presents penetration rate and market size data, where available, for 1999, 2001 and 2004.

Table 1: Penetration rate and market size data

Country	Penetration rate 1999	Penetration rate 2001	Market size 2000/2001 (€million)	Penetration rate 2004	Market size 2004 (€million)
Europe					
Austria	0.7			1.38	
Belgium	1.9	1.8		2.2	3,089
Denmark	0.2	0.3	100	0.3	440 (in 2002)
Finland				1.2	440
France	2	2.1	17,900	2.1	18,400
Germany	0.7	0.87	7,300	1	7,100
Greece				0.1	20
Hungary				1.35	
Ireland		1.38		1.25	1,300
Italy		0.7	2,400	0.63	4,000
Luxembourg				2.5	150
Netherlands	4.5	4.5	6,700	2.5	6,682
Norway	0.6	0.7		1	654
Poland				0.4	166
Portugal	1	1	500	0.9	650
Slovakia				0.5	
Slovenia				0.5	
Spain	0.8	0.6	1,900	0.8	2,450
Sweden	0.52	0.96		1	887
Switzerland	0.85	0.8	1,400	1.4	2,128
UK	3.6	4.7	30,800	5.1	33,368
ROW					
Argentina	0.35	0.32		0.5	1,158 (\$850)
USA	1.5	1.6	67,400*	1.93	96,164 (\$70,600)
Japan	0.52	0.58		1.3	30,647 (\$22,500)
South Korea				0.34	
South Africa				4	

*Figure is for North America.

Source: CIETT (2006), www.ciett.org; Staffing Company Annual Reports

This penetration rate data raises a number of important observations:

- The level of inconsistency in data collection and dissemination is apparent, although figures for 2004 are available across a larger number of territories.
- The US is the largest staffing market in the world, followed by the UK and Japan. However, penetration rates vary between these three countries, with 1.93, 5.1 and 1.3 respectively in

2004. Therefore, the large markets of the US and Japan are due to the larger working populations, whereas the UK market is employing a greater percentage of the workforce in temporary work.

- The majority of national markets shown in Table 1 show a growth in penetration rates between 1999 and 2004. This may reflect either an increase in the use of temporary staffing, or improved methods of data collection. Over this period Japan has witnessed the largest growth in penetration rates, enabled by processes of deregulation (see Working Brief 16).
- Table 1 also shows that some markets have experienced a decline in penetration rate. For example, in the Netherlands, where this mature market has witnessed a decline in temporary staffing due to a shift in market conditions. Despite this, the total market size has declined only slightly since 2000/1, suggesting that despite a drop in total numbers of temporary staff, revenues generated are higher – due either to an increase in the cost of temporary staff or a market shift towards higher end staffing.
- The data shown in Table 1 shows an overall growth in penetration rates, and in the size of staffing markets. However, it is clear that the percentage of temporary staffing in all territories is still low, with the majority of markets having rates of below 2%.

Conclusion

This Working Brief has presented a macro-scale analysis of staffing markets using penetration rate data. While this measure has its limits it remains one of the most widely cited indicators of levels of temporary staffing. The data presented in Table 1 draws upon a variety of sources to produce and shows a story of growth in penetration rates across a range of territories, and highlights the geographical unevenness of temporary staffing. There is however, a difference in the rates of growth, or decline, in penetration rates according to the maturity of the particular market. Where there are markets showing declines in penetration rates, these tend to be more established staffing markets. This can be contrasted to the recently emerged markets, such as those of Eastern Europe, where growth rates are expected to continue to grow. Finally, this Working Brief argues that there is a need for the collection and dissemination of better quality and more comparable data on temporary staffing, involving national governments, industry bodies and staffing firms. Greater consistency in definitions of temporary staffing and methods of data collection would enable better comparisons to be made between national markets. In addition, the geographical and sectoral unevenness of temporary staffing *within* national territories is not reflected in this penetration rate data, demanding the collection of data on different geographical scales to enable more comprehensive understandings of the geography of temporary staffing.

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