

THE RISE AND IMPLICATIONS OF TEMPORARY STAFFING AS A MIGRATION INDUSTRY IN NORWAY

Abstract

Temporary staffing agencies have recently emerged as a significant 'migration industry' in Norway, actively recruiting and facilitating the employment of workers from new eastern EU states (EU10). This article explores how such agencies shape patterns of mobility and labour market incorporation among migrant workers. Although agencies promote circular and temporary mobility for western European labour migrants, this is not the case for the eastern European migrant workers. Although temporary staffing jobs are often short-term stepping stones into regular employment for native workers, migrant workers far more often remain employed within staffing agencies for many years. Finally, the eastern European migrants recruited through agencies have far lower earnings and are more at risk of needing public benefits than those hired directly. The findings show that the temporary staffing industry has functioned as a spearhead for establishing a permanent, yet hyper-flexible and highly precarious migrant workforce in the otherwise highly regulated Norwegian labour market.

Keywords

labour migration • temporary staffing agencies • migration industry • precarious work

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Introduction

The two eastward enlargements of the EU in 2004 and 2007, which gradually opened the labour markets of western Europe to migrant workers from former socialist countries in central and Eastern Europe, triggered west-bound migratory flows of unprecedented scale, as millions of workers moved west in search of employment and higher wages. In the following decade, *temporary staffing agencies* – defined by the tripartite employment relationship between workers, agencies, and client firms – came to play an important role in facilitating the recruitment of workers in sending countries like Poland and Lithuania and their employment in host countries like the UK (Sporton 2013) and the Netherlands (Pijpers 2010). Among the Nordic countries, Norway stands out, both in terms of the volume of labour migration from the new EU member-states in general and in the involvement of the temporary staffing industry. During the years following 2004, Norway received more labour migrants from the new EU member-states than all the other Nordic countries combined, and nowhere was the temporary staffing industry more involved in the recruitment and employment of migrant workers than in Norway (Friberg & Eldring 2013; Nergaard et al. 2011, Ødegård et al. 2012). Using Norway as a case, this article addresses the relationship between temporary staffing and labour migration, and the ways in which recruitment and

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employment through temporary staffing agencies shape patterns of mobility and labour market incorporation among migrant workers from central and Eastern Europe.

The role of temporary staffing agencies in promoting labour mobility has been subject to political controversy in Norway as well as the rest of Europe. According to EU's Lisbon strategy, temporary staffing agencies can facilitate more flexible, dynamic, and sustainable transnational labour mobility in Europe, by matching supply and demand, and reducing information asymmetries and transaction costs usually associated with cross-border labour mobility (Kok et al. 2004). National boundaries and language differences constitute significant hurdles to the optimal allocation of human resources across the common European labour market, and temporary work agencies can provide training, help with legal papers and housing, and matching workers in sending countries with several different employers in destination countries, thus lowering the risk and cost of working temporarily abroad (for example, European Commission 2006, 2007). The European Confederation of Private Employment Agencies argues that a well-regulated staffing industry accommodates the needs of both workers and employers, by giving firms access to a flexible workforce, while at the same time securing

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the interests of the temporary (migrant) workers through orderly and legal terms of employment and the provision of information, practical support, and access to consecutive assignments with several different employers (for example, EUROCIEET 2010, BCG/CIEET 2012). More sceptic observers, on the other hand, tend to see the growth of temporary staffing and its involvement in cross-border labour mobility rather as part of a global pattern of neo-liberal restructuring of labour forces and the erosion of traditional employment relations (Castles 2010). The growing significance of temporary staffing agencies as employers of migrant workers is according to this perspective just one way of by-passing worker protection associated with regular employment (Meardi 2012). Labour unions have, therefore, argued that temporary staffing agencies promote social dumping and precarious working conditions, and undermine the right to permanent employment and collective bargaining (IndustryAll 2012). In Norway, unions have been fiercely opposed to the increasing use of temporary staffing in sectors such as construction and manufacturing.

However, few studies have focussed specifically on the interface between temporary staffing and international migration or on how the activities of temporary staffing agencies shape the migration careers for those who are recruited and employed by them.

Drawing on quantitative administrative registry data supported by qualitative interviews, this article describes the changing nature of temporary staffing in Norway and its role as mediators and employers of central and eastern European labour migrants. Then, three more specific questions are addressed: *Do temporary staffing agencies facilitate more temporary labour movements than other forms of cross-border recruitment and employment? Are jobs within temporary staffing agencies a stepping stone into regular employment, or is it a 'dead end' for migrant workers? Do migrant workers in the temporary staffing industry have lower earnings and/or higher risk of becoming unemployed and in need of public benefits than migrant workers employed directly with firms in the host country?* The article focusses on migrant workers from central and eastern Europe (mainly from Poland and Lithuania). However, this group is explicitly compared with other European labour migrants from 'old' EU member-states (mainly from Sweden and Germany), as well as to native workers employed by temporary staffing agencies. The purpose is to explore the particular role that the temporary staffing industry has played in shaping the last decade's unprecedented flows of migrant workers from central and eastern Europe.

Theoretical perspectives on temporary staffing and migration

As the temporary staffing industry has become a permanent and significant feature of modern labour across a wide range of sectors all over the world, researchers from several different disciplines have studied the phenomenon from a variety of perspectives. According to Coe et al. (2010), the existing research can be grouped into three main bodies of research. The first relates to the rationale of client firms and why some firms prefer to hire staff through agencies rather than to employ directly. A second body of research relates to the perspective of workers and the question of why some 'choose' to work for an agency and the consequences it has for them. A third body of research has focussed on the agency of the agencies themselves; how they expand globally into new markets and sectors; how they adapt to local, national, and supranational regulations; and how they contribute in shaping labour markets and labour relations (Coe et al. 2010). Although these studies have generally not focussed

on the agencies' role as mediators of migrant labour, these questions are no less relevant for understanding temporary work agencies as recruiters and employers of migrant workers. The answers to them may, however, differ, depending on whether we are dealing with migrant or native workers.

One important reason why firms may prefer to hire workers through agencies rather than employing them directly is to obtain *numerical flexibility* (Kalleberg 2000, 2001). This is especially related to routine tasks that require little firm-specific knowledge, training, or loyalty. By dividing their workforces into a core workforce, consisting of their internal staff performing tasks that require complex skills, and firm-specific knowledge, on the one hand, and a peripheral workforce, consisting of externally affiliated workers, such as agency workers and subcontractors, performing low-skilled routine tasks on the other, firms may reduce turnover of the trained staff, while making rapid adjustments of the size of the workforce as a response to seasonal or cyclical changes in labour demand. Temporary staffing is, thus, used as a buffer to protect the core staff. In Norway, this process has been described in various industries in the wake of increasing labour migration and growing use of temporary work agencies (Friberg 2012; Ødegård 2014; Bratsberg et al. 2015). However, firms may also use temporary agency workers to obtain the opposite, namely *numerical stability*. In such cases, they may hire agency workers to fill temporary vacancies, as a result of sickness, parental leave, and so on within the core workforce (Nesheim 2003). The rationale is then not to adjust the size of the workforce in the face of variations in labour demand, but to maintain its stability in the face of variations in labour supply. In such cases, agency workers will, to a much larger extent, form part of the regular workforce while they are hired. Another reason for using temporary agency workers is to *manage or reduce labour costs*. Although temporary agency workers are paid lesser than permanent employees, the actual wage cost is not necessarily lower once the agencies have charged their 'mark-up' fee. However, reduced liability for holiday pay, parental cover, and sick pay entitlements can still lead to considerable savings for the client firms. Furthermore, using temporary agency workers can reduce the costs involved in recruitment and administration of employees. By outsourcing these functions, firms can concentrate on their core activities. A fourth reason why firms use temporary agency workers is *recruitment*. By monitoring on-the-job performance of agency workers, potential employers can 'try them out for size' before making commitments. This may allow firms to employ 'riskier' workers – such as migrants – on extended probation periods and 'skim the market' for the best candidates. Finally, client firms can use temporary staffing agencies to *externalise risks* associated with directly employing workers on a permanent basis (Coe et al. 2010; Houseman et al. 2003). By outsourcing the contractual employment relationship to external agencies, client firms can avoid the social, legal, and contractual responsibilities and risks associated with in-house employment, and even avoid compliance with occupational health and safety regulations and 'unfair dismissal' legislation (Befort 2003). These different rationales for using temporary staffing agencies are not mutually exclusive, and firms may have a combination of overlapping motives. The weight given to them may, however, vary depending on the structure of labour demand.

Regarding why some groups of workers are over-represented in agency work, different theoretical perspectives provide slightly different accounts. The human capital approach argues that this is due to the rational economic decisions of workers. Married women with children, young people, older people – or temporary migrants – may prefer to work through an agency because they have a marginal

commitment to work and prefer a more 'flexible' attachment to the labour market (Druker & Stanworth 2004). Furthermore, agency workers may choose this kind of work as a gateway into permanent employment. By getting experience and familiarity with several different employers, employees can gain work experience, job leads, and improved employability (Van Breugel 2005). The labour market segmentation approach argues the exact opposite; that most agency workers – particularly in the bottom end of the labour market – would prefer regular employment, but are forced to accept agency work because they have limited options (Connell & Burgess 2002; Kalleberg 2000; Pedersen et al. 2007; Purcell et al. 2004). The over-representation of certain groups in agency work stems, according to this approach, not from preferences but from the lack of social and educational capital necessary to access more stable and rewarding employment. Furthermore, some claim that temporary agency work is not always a gateway into permanent employment, but may constitute a dead end (Booth et al. 2002; Gray 2002; Korpi & Levin 2001). Others focus on how the tripartite employment relationship changes the regulation and control of labour within the production process (Gottfried 1992; Smith 1998). A number of empirical studies emphasise how temporary agency workers are subject to the 'dual control' of overlapping sanctions of the agency and the client firm, and that the belief that strong work performance may lead to a permanent job (the 'stepping stone thesis'), combined with the uncertainty and risk intrinsic to temporary agency work, is first and foremost a tool for disciplining and regulating workers (Deguili & Kollmeyer 2007; Smith & Neuwirth 2008).

Finally, studies focussing on the agency of the agencies themselves have argued that by promoting particular forms of flexibility, agencies are actively reshaping norms and expectations of both workers and employers in increasingly diverse industries and occupations (Peck & Theodore 2002). On the one hand, this is a part of corporate strategies of internationalisation and diversification on behalf of the major global players in the industry, who continually expand into new countries, new sectors, and occupations or new functions within existing markets (Coe et al. 2007; Peck et al. 2005). On the other hand, the agencies and those who represent them (such as the International Confederation of Private Employment Services) are actively engaged in the political sphere trying to restructure both the regulation of their own industry and that of mainstream employment relationships. This was not least evident in the struggles over the national implementations of the EU Temporary and Agency Workers Directive (2008/104/EC).

As mentioned, temporary staffing agencies have not received much attention from scholars of migration. However, since the 1990s, the concept of a *migration industry* has been developed to explain the process and perpetuation of international migration (Spener 2009). The concept of a migration industry encompasses a wide range of activities and actors, including informal middlemen, smugglers and human traffickers, travel agencies, and airline operators. According to Salt and Stein (1999), the concept of migration industry can be defined as 'a system of institutionalized networks with complex profit and loss accounts, including a set of institutions, agents and individuals, each of which stands to make a commercial gain' from migration. Transnational labour migration obviously involves 'transaction costs' for both employers and workers – even within the open European market – and temporary staffing agencies can profit from mediation in a context of risk, uncertainty, and limited information. From the point of view of client firms, temporary staffing and recruitment agencies can offer a way to employ migrant workers with more flexibility and less risk, administration, responsibility, and (sometimes) labour costs.

As a result, firms who would otherwise not have taken the chance of employing migrant workers directly within their own organisation may still choose to hire migrants through agencies. From the point of view of potential migrants in sending countries, temporary staffing and recruitment agencies may contribute to reduce risks and costs involved in migration, and thus facilitate the migration of people who otherwise would not have taken the chance of going abroad. From the point of view of the agencies, the migrant workers are a valuable resource. Because temporary jobs usually offer fewer rewards and lesser status than permanent employment, agencies often have difficulties recruiting workers. Access to willing and potentially low-wage migrant workers provide agencies with an opportunity to expand into new sectors, which otherwise would be difficult or impossible to staff. As a result, temporary staffing and recruitment can contribute to boosting migration flows, changing its pattern, for example, by facilitating more temporary and circular migration, and/or changing the selection of migrants. At the same time, migration may propel the growth and expansion of the temporary staffing industry.

Data and methods

The main empirical analyses are based on a compilation of administrative data from Norway during the period from 2005 to 2012. By linking data from the population register with data from employment registers and Office of Foreign Tax Affairs, we are able to include the population of non-settled migrant workers on a short-term stay in Norway (who are usually excluded in official statistics), as well as those who are settled in Norway, and trace them over a period of 7 years and compare them with other groups of workers. For each year from 2005 to 2012, these data contain reliable information on citizenship, basic demography, employment and occupational status, income, and use of social benefits for the entire workforce, including temporary migrants. It should be noted that so-called posted workers sent by foreign companies to work in Norway are difficult to identify, and while some of them will be included in the data, we cannot be sure that all of them are. Therefore, no distinction is made between posted workers (employed by a foreign firm) and regular labour migrants (employed by Norwegian firms). The data is used to describe the development of temporary staffing in Norway and the changing composition of its workforce. We then analyse to what extent temporary staffing facilitates more temporary patterns of migration by following a cohort of workers who arrived in 2007 to see if they remain employed and/or settled in Norway in the following 5 years. We trace the impact of being recruited by an agency by comparing agency workers with workers hired directly, for eastern and western European labour migrants, respectively. Eastern European migrant workers who were recruited by agencies and who have remained in Norway over the next 5 years are then compared with Norwegian citizens who were employed by temporary staffing agencies at the same time, in order to see if they continue to be employed by agencies or move into regular employment. This way we can see if agency work functions as a temporary stepping stone for eastern European migrant workers, to the same extent that it does for native workers. Finally, we compare the income levels of migrant workers employed by temporary staffing agency, as well as their risk of becoming unemployed and in need of social benefits, with those of migrant workers employed directly by Norwegian firms. All in all, these analyses allow us to determine whether temporary staffing promotes more temporary migration, if it constitutes a stepping stone into regular employment, and what kind of working conditions

Table 1. Workers registered with a temporary staffing agency as their main employer, by citizenship, 2005 to 2012

Citizenship	2005	2006	2007	2008	2009	2010	2011	2012
Norway	27,322	30,218	32,714	37,725	28,719	28,517	28,950	30,484
Non-EU/EEA country	431	782	1,323	2,148	1,656	1,821	2,191	2,701
Western EU member-state	2,302	3,519	6,680	13,053	10,749	9,359	9,128	12,352
Eastern EU member-state	1,000	3,380	6,529	12,843	11,046	11,118	14,199	17,885
Total	31,055	37,899	47,246	65,769	52,170	50,815	54,468	63,422
Foreign citizens	12%	20%	31%	43%	45%	44%	47%	52%

agency workers have. It should be noted that the analyses are descriptive rather than causal. Since Norwegian administrative data do not contain reliable data on education among recent migrants, we cannot determine whether the effect of being recruited by an agency, on for example, income and benefits, is a direct causal effect of agency employment, or if it also can be attributed selection – for example, that agencies tend to recruit different kinds of workers. The statistical analyses are supplemented with illustrations based on qualitative interviews with migrant workers and key informants from the industry.

Migration and temporary staffing in Norway

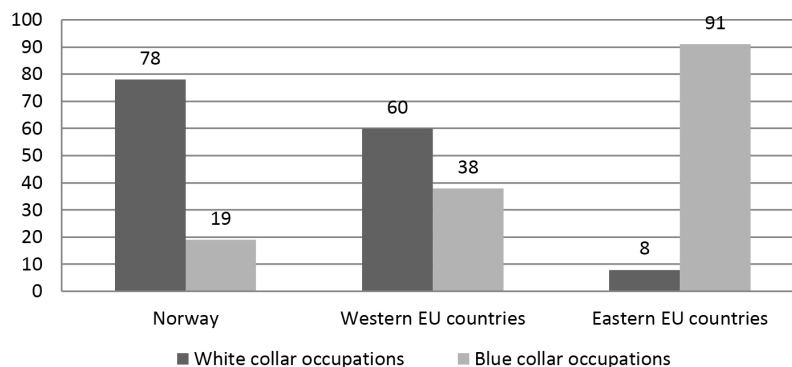
The EU enlargement in 2004 was crucial for the growth of the staffing industry in Norway. It gave us access to a huge market of people who wanted to work. (...) The EU expansion made it easier to use cheap foreign labour in a legal way.
– Interview, Human Resource Manager in one of Norway's leading temporary staffing agencies

The rise of temporary staffing as a migration industry in Norway can only be understood in the context of the historically unprecedented migration flows following the eastward enlargement of the EU in 2004 and 2007, when first eight and then another two former east bloc countries (from now on EU10) joined the common market for labour within the EU/EEA. Before 2004, the total number of employed EU10 workers in Norway was only a couple of thousand people. By 2012, it had risen to more than 120,000, and by 2015, it would pass 170,000. The majority came from Poland and Lithuania, and most had found semi- or low-skilled work within a narrow set of industries, such as construction, manufacturing (primarily shipyards and fish processing), and low-skilled services. In these industries, the inflow of migrant workers was closely related to changing labour strategies, and restructuring of the workforces based on increased use of temporary and flexible forms of employment. Throughout this period, between 15 and 20% of the EU10 workforce was employed through temporary staffing agencies, compared to only about 1.5% of the native workforce. It is important to notice, however, that temporary staffing agencies only represent one particular out of many other forms of temporary and flexible forms of employment. These also included an increasing use of temporary employment, posted workers hired through transnational subcontractors and self-employed contractors (Friberg et.al 2014). It should also be noted that during the same period, the number of European citizens from 'old' western EU member states in the Norwegian labour market also grew significantly, from less than 70,000 in 2005 to more than

140,000 in 2012. Most came from Sweden, but also from Denmark, Germany, the UK, and Spain. However, their employment profiles were more similar to those of Norwegians than to EU10 workers, and although temporary staffing agencies did play a role as facilitators of these migration flows as well, it did so not by far to the same extent as with EU10 migrants.

For the Norwegian temporary staffing industry, the eastward EU enlargements represented a turning point. Until 2000, temporary staffing was banned outside the so-called 'traditional office sector'. In the early 2000s, several attempts to expand into new sectors were made, but these mostly failed, due to difficulties in finding willing workers (Nergaard 2012). This would change with the new access to workers from relatively nearby countries, such as Poland and the Baltic states, with wage levels less than one-fifth of Norway. Adecco was the first actor to set up a network of training camps in Poland, where potential workers were screened for employment, but they were soon followed by a plethora of agencies specialising in the recruitment and hiring of migrant workers to Norwegian client firms. For the Norwegian temporary staffing industry, the new access to potentially inexpensive and flexible migrant workers played an important role in the industry's rapid growth and expansion into new sectors of the economy, such as construction and manufacturing. For example, according to statistics provided by the largest industry association organising temporary work agencies in Norway (NHO Service), the number of recorded man-hours sold to clients within the construction sector by their members more than tripled from 700 thousand in 2006 to more than three million in 2014.

The relationship between migration and the expansion of temporary staffing is reflected in table 1, showing the number of workers registered as having a temporary staffing agency as their main employer between 2005 and 2012, broken down by their citizenship status. Employing only about 10 thousand workers at the turn of the century, the industry had grown to about 30 thousand in 2005, when foreign nationals still only accounted for 12% of its workforce. The number of Norwegian citizens employed in the staffing industry has since then remained relatively stable, except from a small peak around 2008. The total number of workers, however, more than doubled. First, there was a sharp increase up to more than 65 thousand in 2008, followed by a sharp decrease in the following two years, reflecting the impact of the financial crisis. By 2012, however, the total number of workers was back to the level of 2008, and now, foreign citizens made up more than half the workforce, with EU10 citizens (mainly from Poland and Lithuania) being the largest group. The second largest group of foreign nationals was made up of citizens from various 'old' EU member-states in western Europe (mainly from Sweden, Denmark, and Germany, but also from Spain, Portugal, and the UK). Few non-EU/EEA nationals are found in the industry.



*White-collar occupations include academic, management, technical, office, and sales occupations. Blue-collar occupations include craft workers, machine operators, transport, and unskilled work.

Figure 1. Occupational distribution of temp agency workers in 2012, by nationality (n = 63,422)

While Norwegian employees in the staffing industry are relatively young and evenly divided between men and women, migrant workers – and in particular, those from EU10 – are older, and almost exclusively male. More importantly, however, the two groups fill very different roles within the temporary staffing industry, as they are hired out to clients in very different segments of the labour market, in order to fill different labour market needs. The registry data do not record the sector of client firms, but they do record the occupational category of workers, thus giving us an indication of this national division of labour.

The Norwegian citizens employed by the temporary staffing agencies are overwhelmingly found in lower white-collar occupations. This includes academic and managerial occupations, lower-level professionals and technical occupations, office-client and sales-services and care occupations. According to the qualitative interviews with industry executives, these white-collar workers and lower-level professionals mainly fill the need for numerical stability within the client firms, where fill in for the regular staff in times of illness, childcare leave, and so on (Friberg & Eldring 2013). Relatively few native workers are registered as blue-collar workers, such as craft workers, machine operators, and transport workers or unskilled workers. Migrant agency workers from new EU member-states, on the other hand, are almost exclusively registered as blue-collar workers. This includes craft-workers, machine operators, and non-skilled occupations. Hardly any are found in white-collar work at all. The migrant agency workers from old western EU countries appear to have occupational profiles that lie somewhere in between the two, but closer to the profile of native workers than to those of the eastern European temp agency workforce.

Does temporary staffing facilitate more temporary migration?

The first question regarding how temporary staffing shapes migration careers is to what extent agencies promote more the temporary migration patterns. Although ‘temporariness’ has been widely identified as a feature of recent labour migration from East to West in Europe in general (Favell 2008, White 2008), research has showed that post-accession migrants actually follow a variety of different migratory adaptations, including short-term-migration, long-term open-ended and circular migration, and permanent settlement

migration. Research from Norway has shown that while many do return after temporary periods of work, a substantial share appears to settle down either permanently or at least for prolonged periods of time, and the trend towards more permanent migration has accelerated during the years since 2004 (Friberg 2012, Friberg 2015). Within this context of diversity and open-endedness, the activities of temporary staffing agencies recruiting migrant workers are usually associated with the most *temporary or circular* forms of migration (see Pijoers 2010, Scott 2007). This is perhaps not surprising, given the temporary nature of work assignments that are conveyed through agencies, as well as the agencies potential of making it easier for workers to go abroad for shorter periods of time without having to make large personal, practical, and social investments. In the academic literature as well as in European policy documents, it is, therefore, often claimed that temporary staffing agencies play an important role in promoting more temporary and circular migration of workers within Europe (McLoughlin & Münz 2011).

We may test this assumption by following the migrant workers in the Norwegian labour market over time through administrative registers, and investigate their propensity to return, by selecting those who first appeared in the Norwegian labour market in 2007, and then trace them each subsequent year until 2012. If they are not found, we may assume that they have either returned or moved elsewhere. The migrants are then grouped by their sector of employment during their first year in Norway. The graphs, thus, represent the ‘stayer rates’ of different groups of workers. By comparing the stayer rates of those who were first recruited and employed through temporary staffing agencies with those recruited and employed in other sectors, we can explore how being employed through temporary staffing is related to their propensity to return. We perform the same analysis first for migrant workers from the old western EU member-states, then for migrants from the new eastern EU member-states. Since agency workers from eastern Europe are almost exclusively hired to work within construction and manufacturing, these two industries are natural reference points for comparison. Agency workers from western Europe are typically hired to these two sectors as well, but to a lesser extent also to public and private services.

Figure 2 shows that being recruited by a temporary staffing agency has a very different impact on length of stay for the two groups. Being recruited and employed by a temporary staffing agency is indeed related to the most temporary patterns of migration for western EU migrants. While stayer rates after 5 years for west-EU

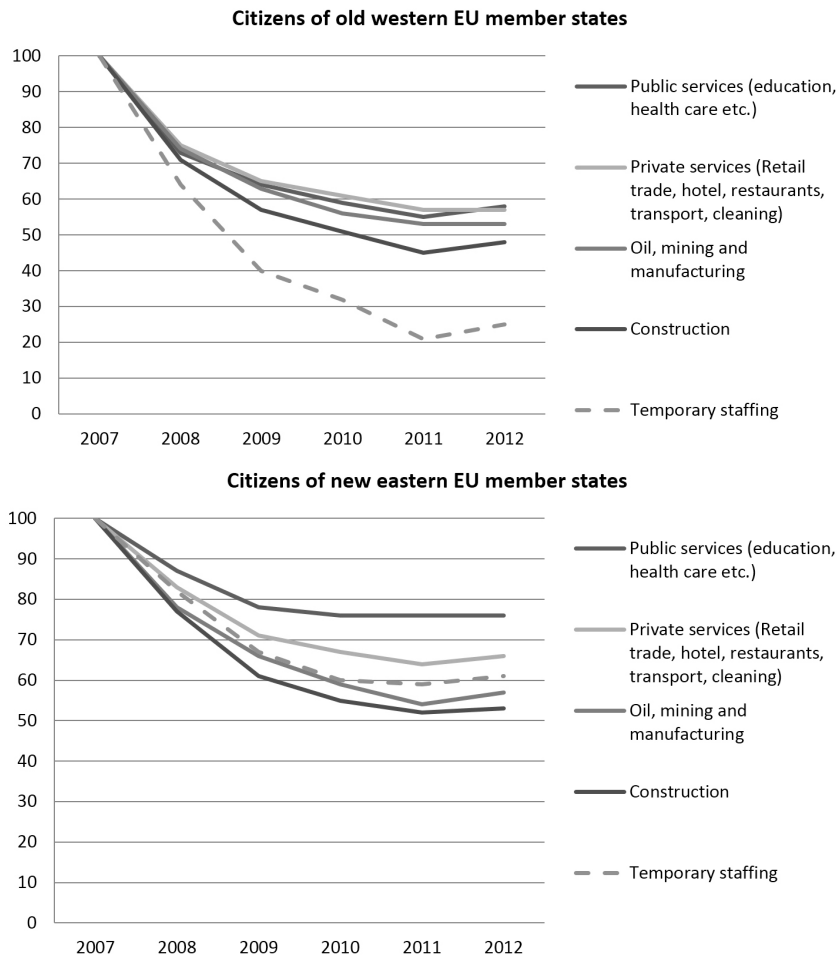


Figure 2. 'Stayer rate' according to first sector of employment. Migrant workers who first arrived in Norway in 2007

migrant workers employed directly within construction, oil, mining and manufacturing, public and private services vary between 45 and 58%, those recruited and employed by a temporary staffing agency are only half as likely to remain in Norway (25%). For Swedes, Germans, and other western European labour migrants, in other words, temporary staffing do indeed facilitate more temporary migration.

For eastern European migrant workers (EU10), being recruited and employed by a temporary staffing agency has no such effect. In fact, compared with those working directly for construction and manufacturing companies – the two industries where the majority of EU10 agency workers find themselves – those recruited by agencies are actually more likely to stay, with a stayer rate after 5 years of over 60%. Those employed in private, and in particular, public services are more likely to remain, but this is primarily an effect of gender, since these industries are where we find most women, who generally have high stayer rates, following the typical migration pattern of male breadwinner followed by family reunion. All in all, we may conclude that while temporary staffing is indeed associated with more temporary patterns of migration for the western European migrants, this is not the case for the labour migrants from the new eastern EU member-states. Quite the opposite – for them, being employed

by temporary staffing agencies increases their probability of settling down rather than their probability of return.

Are temp agency jobs stepping stones or dead ends for migrant workers?

Does the fact that migrant temp agency workers are equally or even more prone to remain in the country of destination mean that agency jobs are primarily a stepping stone into more regular forms of employment? Although the results are mixed, research in a variety of contexts has showed that vulnerable workers in some cases – at least compared with unemployed workers – may increase their chances of getting a regular job by first going through a temporary staffing agency (Jahn & Rosholm 2012, Hveem 2012). This has led some observers to assume that migrant workers who are recruited and employed through temporary staffing agencies use agency work as a gateway into permanent employment in the client firms or elsewhere in the host country. From a human capital perspective, the stepping stone hypothesis is plausible for several reasons: By hiring through temporary staffing agencies, employers – who often have

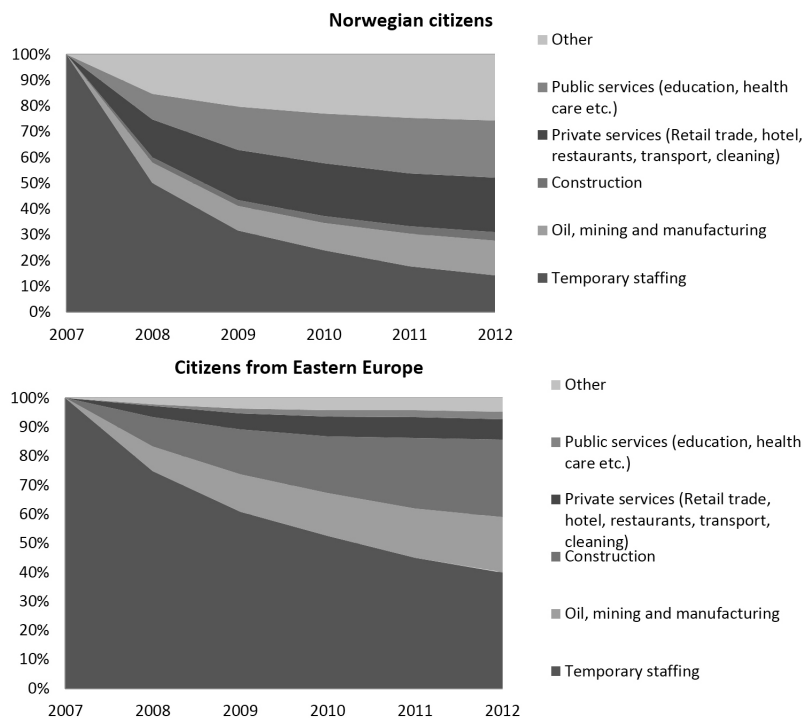


Figure 3. Sector of employment in 2007–2012, as percentage of all workers employed by temporary staffing agencies in 2007

difficulties evaluating the competence and credentials of migrant workers – can screen workers without committing themselves. And, by taking on assignments through agencies, migrant workers can build up country-specific human and social capital, increasing their chances for regular employment. An alternative hypothesis is that temporary staffing is just a permanent way of maintaining a low-cost, hyper-flexible workforce, in which case, it provides few opportunities for advancement.

We explore the stepping stone hypothesis by selecting all workers who were employed by a temporary staffing agency in 2007, and then trace their employment status in every subsequent year until 2012, to see if they are still employed by a temporary staffing agency, or if they have become employed directly. We have already affirmed that western European workers recruited and employed by temporary staffing tend not to stay, so there is not much point in comparing the long-term employment careers of the two groups. Instead, we compare eastern European citizens with Norwegian citizens employed by temporary staffing agencies, to see if the question of ‘dead end’ versus ‘stepping stone’ plays out differently for the two groups. As figure 3 show, it does.

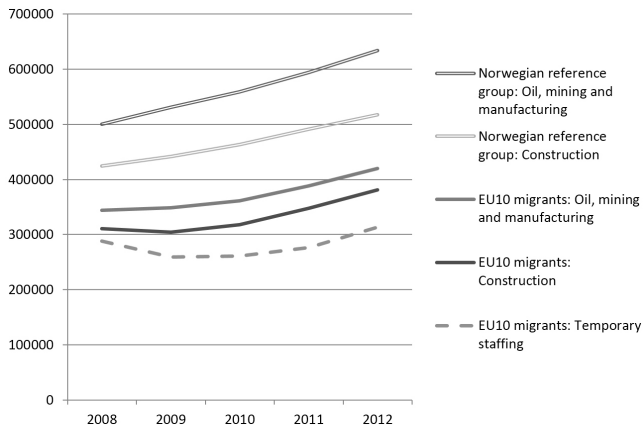
Among the Norwegian citizens employed in the staffing industry in 2007, and who were still in the workforce in 2012, 86% had moved on to other sectors. Most commonly, the Norwegian agency workers moved on to public and private services, as well as what we have classified as ‘other’ sectors. Only 14% were still employed in the temporary staffing industry in 2012. Looking closer into the occupational profiles of these remaining 14%, we find that many of them most likely belong to the administrative staff of the agencies. In other words, very few Norwegian citizens remain ‘stuck’ as agency workers for very long.

For the eastern European migrants, the situation is quite different. Of those still working in Norway 5 years after being recruited by an agency, 27% are now employed in the construction industry, which is the largest client industry, suggesting that at least some manage to access direct employment with client firms. Another 19% have found employment within the other main client industry, namely oil, mining, and manufacturing. Few are found in public and private services or other sectors. However, about 40% is still employed by temporary staffing agencies 5 years after they were recruited. In other words, although some do move on to jobs within client sector firms; a substantial share of the migrant temp agency workforce remains employed by agencies over long periods of time.

Economic integration of migrant temp agency workers

So far, we have seen that agency workers are just as or even more likely to stay in Norway than their counterparts who are hired directly by construction and manufacturing firms, and that a substantial share of them remain employed within the staffing industry for years on end. This warrants an exploration of the kinds working conditions they have, in terms of income level and security.

In general, the migrant workers from the new EU member-states earn significantly less than their native colleagues. Migrant workers employed in the construction industry, for example, earn about 73% of native construction workers, and the wage gap remains even after 5 to 7 years of residency when they are compared to an age-adjusted reference group of native construction workers. For those working in oil, mining, and manufacturing, the wage gap is even larger and



*Exchange rates vary, but in 2012, the average rate was 1 EUR = 7.5 NOK.
 **All EU10 migrants: all those arrived in Norway from 2005–2007, and remained employed until 2012.
 ***Native workers: workers without immigrant background, weighted to match the age structure of the migrant sample.

Figure 4. Income development (in NOK)* for EU10 migrants** employed in temporary staffing, compared to EU10 migrants and native workers*** in the two main client industries

actually increases over time, as EU10 earnings go from 69 to 66% of the native comparison group over the course of 5 years. It should be noted that no such wage gap is found when comparing the western European migrants with natives (for more on the general income development of migrant workers, see Friberg 2015). What about those working in temporary staffing agencies? Figure 4 shows the development in earnings among the EU10 migrant workers who first arrived in Norway between 2005 and 2007, and remained in Norway at least until 2012, in manufacturing, construction, and temporary staffing. It also shows the earnings of a native age-adjusted reference group in manufacturing and construction. By comparing those employed in temporary staffing agencies with those employed directly in the two main client sectors, we find that migrant workers employed in temporary staffing agencies have significantly lower earnings than both of them, and the wage gap seems to increase over time. After 5–7 years of working in Norway, those employed by temporary staffing agencies earn only about 80% of their migrant colleagues who are directly employed in construction, and less than 75% of those migrants working in manufacturing. The wage gap to their native born colleagues in the client industries is even greater. Migrant temp agency workers from eastern Europe earn only 60% of the native colleagues in construction and only 50% of the natives in manufacturing. Figure 4 shows that although eastern European migrant workers in general tend to serve as a source of inexpensive labour, this is especially true for temp agency workers.

We may illustrate the position of migrant agency workers using data from qualitative interviews. Not surprisingly, temp work is considered to be substantially less desirable than direct employment among migrants and native alike. As one Polish representative employed by one of the major staffing agencies put it:

There is actually no one who wants to work in the staffing industry. You can just look at the ones who do. It's almost exclusively migrant workers. We are the B-team of the labour market.

When interviewed, migrant agency workers tend to focus on the precariousness of their situation due to a lack of stability and employment security, rather than just low wages. Most migrant temp workers have so-called 'zero-hour contracts', or 'permanent employment without guarantee pay', which is recommended by the main employer organisations. This contract means that workers are constantly dependent on getting new assignments at the discretion of their clients, who can terminate their assignments, and thus also their income at will on short notice. As one Polish agency worker explains:

The factory decides who to fire among the agency workers. If the agency brings someone who is not good enough, the factory can just say that they won't have him. (...) It is very difficult to work without guaranteed pay. For example, it is impossible to get a loan from the bank.

From the perspective of employers looking for inexpensive, flexible, and docile labour, however, this is a selling point. As one agency manager put it:

We have a disciplining effect on the workforce. Our staff is more efficient and less sick, because we can be much tougher. If a person shirked their duty or shows up drunk on the job – then we just take them out of rotation. We listen to what our clients have to say. If the client is not satisfied, we don't give them new assignments. This really sharpens the workers.

As the quotes indicated, the precarious work situation of the temp workers may have far-reaching consequences for their ability to settle down and integrate socially, for example, in the host country's housing market. Another result, however, is a high level of periodic unemployment and temporary dependency on public benefits. Figure 5 shows the share of EU10 migrant workers who have received public unemployment benefits at one point or another during each year between 2007 and 2012. The sample consists of all the EU10 migrant workers who arrived in Norway between 2005 and 2007, and who have remained in Norway until at least 2012. One should note that the comparable numbers of native workers who received unemployment benefits at some point during the year never exceeded 6%.

Although Norway was not very severely affected by the financial crisis of the late 2000s, the analyses show that EU10 migrant workers were highly exposed to unemployment during the years following 2008. In 2010, as much as 28% of all EU10 workers received unemployment benefits at some point during the year. One should note that although they were substantially overrepresented as recipients of unemployment benefits, they were substantially underrepresented as recipients of other types of benefits, such as social welfare and disability benefits, illustrating that their periodic use of benefits reflects their precarious situation in the labour market – not a permanent exit from it (Friberg 2015). This precarious position in the Norwegian labour market is especially evident among those employed in sectors exposed to cyclical fluctuations, such as construction and manufacturing, where as much as 35% of the EU10 workers at some point during 2010 received unemployment benefits. However, those recruited and employed through temporary staffing agencies stand out with exceptionally high levels of unemployment benefit use. In 2010, as much as 45% of those first recruited and employed by agencies received unemployment benefits. Once again, we should emphasise that there is no evidence of any gradual

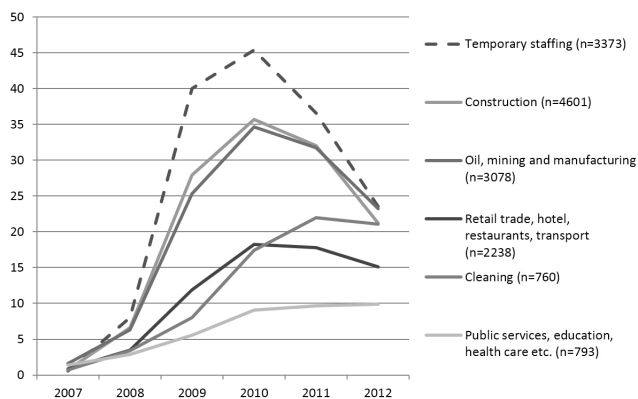


Figure 5. Share of workers who received unemployment benefits at some point during the year, 2007–2012. EU10 citizens who arrived in Norway in 2005–2007 and who have been registered as either settled or employed since, by sector of employment in 2007

exit from the labour market as such. However, the precarious nature of temporary staffing means that the workers frequently experience periodic unemployment. In other words, the hyper-flexibility that the temporary staffing industry provides for employers comes at a significant cost, not just for the migrants, but also for the state.

Conclusions

Over the last decade, temporary staffing agencies have played a key role in facilitating the movement of workers from the extended European area to Norway. The liberalisation of regulations on temporary staffing in 2000, combined with the new access to a large reservoir of willing and potentially inexpensive workers through the EU enlargements, has enabled the temporary staffing industry to expand into new sectors, such as construction and manufacturing, based on the recruitment and employment of migrant workers. In these new blue-collar client sectors, temporary staffing does not just constitute a solution to the temporary ad-hoc needs of employers and workers, as is the case in traditional white-collar sectors. Instead, temporary staffing has become a stable and integral part of the organisation of the everyday workforce. (For a closer analysis of the Norwegian construction industry, see Friberg & Haakestad 2015.) As temporary staffing has grown into becoming a true migration industry, it has, thus, taken on a very different function and mode of operation than it previously have had within the domestic labour market, as a means to reduce labour costs and increase flexibility, rather than to fill temporary gaps in the workforce.

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The arguments supporting temporary staffing as a sustainable way of organising cross-border mobility are based on the assumptions that agencies promote more temporary and circular patterns of migration, that they function as a temporary stepping stone into regular employment, and that agency employment can safeguard the rights of migrant workers. Although some of these propositions have merit for western European migrants and native workers, none of them holds true for the large new group of eastern European migrant temp agency workers. For them, temporary staffing is actually associated with *more permanent migration* than other forms of employment, and a significant share continues to be employed through agencies for years on end. The explanation for these differences probably lies in the fact that migrant workers from new eastern EU member-states have come to fill a very different function in the labour market. While the native agency workers and western European migrant agency workers more often are used to obtain numerical stability and to fill temporary vacancies in the regular workforce of client firms, eastern European migrant workers fill the role of a permanent, yet hyper-flexible-external workforce. The analyses show that this hyper-flexible workforce earns considerably less than not just their native co-workers, but also compared with the migrant workers with regular employment. They are also highly vulnerable to becoming unemployed in periods of economic uncertainty. We conclude that temporary staffing has functioned as a spearhead for establishing a permanent and highly precarious labour market for migrant workers in the otherwise highly regulated Norwegian labour market. The rise of temporary staffing as a migration industry in Norway has no doubt provided employers with a flexible and low-cost workforce. However, the present analyses show that this has come at a considerable cost. First and foremost to the migrant workers who lack the protection offered within the regulated Norwegian labour market. But also to the Norwegian state, which has to provide for the economic safety and financial stability for a growing population of workers who are not fully able to support themselves due to their unstable employment arrangements. The business of temporary staffing is deeply embedded in the particular labour market institutions of the countries where they operate, and their practices, therefore, vary between different national contexts. To what extent the present findings are relevant or applicable to other institutional settings should, therefore, be subject to empirical investigation.

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