MARKET MAKERS OR MARGINAL PLAYERS: THE ROLE OF TEMPORARY STAFFING AGENCIES IN THE LOCAL LABOUR MARKET

BY

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ABSTRACT

This thesis explores the role of temporary staffing agencies (TSAs) in the local labour market. Through analysis of the social interactions and relationships between TSAs and their client firms, this thesis argues that different agencies can reshape and reproduce the temporary staffing industry (TSI) and labour markets in locally specific ways. The research responds to calls for the TSI to be understood as "more than a 'neutral' service industry" (Coe *et al*., 2009a:58) for example, many larger multinational agencies are actively opening-up and creating new markets for their services (Peck & Theodore, 2002). Yet, there is little known about the tactics used by different sized TSAs (beyond the multinationals) which allow them to make markets locally – by actively creating demand, wining new business and influencing employment – or how they may be marginalised by the activities of competitors in the local labour market. Current literature has focused predominantly on national variations amongst the TSI, therefore this research fulfils the need to examine the role of TSAs in the *local* labour market. Pilot research identified three key themes that could contribute to addressing these gaps: i) *the affect of local labour market characteristics on the process of recruitment*; ii) *the contractual and social relationships between agencies and their client firms*; and iii) *the influence of size on the activities of agencies locally.* The main study took place in Birmingham and focuses on TSAs which recruit within the light industrial and driving sectors. The analysis draws together qualitative data from semi-structured interviews with TSAs, their client firms and industry experts as well as participant observation, internet forums, previous work experience in the industry and secondary data from industry reports to explore the market making or marginalisation of TSAs in the local labour market.

DEDICATION

For us

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LIST OF ABBREVIATIONS

ALP: Association of Labour Providers

AWR: Agency Workers Regulations

CIETT: International Confederation of Private Employment Agencies

FAME: Financial Analysis Made Easy

GOTSU: Geographies of Temporary Staffing Unit (Manchester University)

HR: Human Resources

IRP: Institute of Recruitment Professionals

LMI: Labour Market Intermediary

MSP: Managed Service Provider

OECD: Organisation for Economic Co-operation and Development

ONS: Office of National Statistics

REC: Recruitment and Employment Confederation

SIC: Standard Industrial Classification

TEAM: The Employment Agency Movement

TNC: Transnational Corporation

TSA: Temporary Staffing Agency

TSI: Temporary Staffing Industry

VMS: Vendor Management System

WTD: Working Time Directive

1 CHAPTER ONE: INTRODUCTION

Market Makers or Marginal Players? Temporary Staffing Agencies in Local Labour Markets

1.1 Introduction

In March 2011 the security solutions provider G4S won a contract to provide 10,000 security staff to Olympic venues in east London (Gibson & Taylor, 2011). Come the summer of 2012 the inability of G4S to meet these requirements was made public and the police and army were drafted to fill many of the roles that should have been filled by temporary employees (Wearden, 2012). Further controversy surrounding employment at the Olympics arose when the BBC accused Adecco (Britain's largest temporary staffing agency) of underpaying 4,000 of their temporary agency workers at the Games by withholding holiday pay (Hey, 2012; Lewis, 2012). A few months earlier the provision of security personnel and low-paid stewards via a private security firm at the Queen's Diamond Jubilee also sparked public criticism over the treatment of temporary agency workers (Malik, 2012; SIA, 2012a). The events of summer 2012 are indicative of a wider phenomenon regarding the outsourcing of recruitment to private companies and the host of issues which arise when a third party is introduced to the standard employment relationship between employee and employer.

If we look a little closer, we can see similar cases among public services and household brands. In December 2011 The Royal Mail outsourced the recruitment of 18,000 temporary Christmas jobs to Angard Staffing Solutions, an in-house employment agency managed by Reed Specialist Recruitment (a private employment agency) (Snowdon, 2012). After receiving 110,000 applications the agency was unable to cope with the volume of enquiries and disabled its contact number. As a result, expectant workers were turned away on arrival at

the depots and not all of those that did work were paid (Snowdon, 2012; SIA, 2012b). Some of our largest retailers have also been caught up in public outcries relating to their treatment of temporary agency workers. In Kent, Tesco was accused of disadvantaging agency workers by using a legal loophole to avoid recent legislation aimed at protecting agency temps (temporary workers). Despite a spokesperson from Tesco reiterating that this was "not a Tesco initiative or a Tesco direction" and placing blame firmly at the door of the agency, workers were said to be shocked that Britain's largest private sector employer was compliant in this (Peacock, 2011:1). Local government and Whitehall departments are not exempt from the storm surrounding employment agencies either. Whitehall departments were criticised for paying over £28 million to recruitment agencies between September and November 2011, with the majority of this going to the supply of temporary agency labour (SIA, 2012c).

From our most recognised brands to our most trusted public services, the use of temporary staffing agencies (TSAs) is widespread and becoming fundamental to the way organisations function in a changing labour market (CIETT, 2011b). However, there appears to be a degree of mystery regarding the *real role* that agencies now play within the labour market. Frequently, as in the case of the aforementioned reports, focus (and often blame) remains with the direct employers – the actors we recognise such as Tesco, The Royal Mail and the Olympics – and the employees themselves. This is often at the expense of any in-depth examination of the recruitment agency which tends to remain understated and faceless.

Having worked directly for TSAs for over a year and a half I witnessed the potential influence that agencies have in relation to recruitment practices, the experience of work and how people are employed. Yet, I found little public discourse which attempted to interrogate the influence of agencies in the labour market, not least, the impact they have on how individuals experience work in their everyday lives. In addition, despite the fact that the use of temporary

employees is growing (SIA, 2012d; APSCo, 2012) and TSAs are increasingly being used to manage the demands for non-standard employment[1] (CIETT, 2012) it is not only the media that is overlooking the role of agencies. Too frequently "they are often rendered invisible in many academic accounts" (Coe *et al*., 2010:1063).

Initial insights from media reports as well as my own experience in the industry demonstrate the need for a more comprehensive account of the role of TSAs in the labour market. As such, the question driving this research is; what role do TSAs play in shaping labour markets and employment practices? Addressing this question requires us to consider TSAs not as neutral actors sitting between worker and employee but instead as active intermediaries with the potential to shape the landscape of employment. Section 1.2 of this chapter provides some basic context against which to understand the increasing use of TSAs. Section 1.3 then demonstrates how the aims and objectives of this thesis were developed through review of existing literature and pilot research. Section 1.4 presents the final aims and objectives of the thesis. Finally, section 1.5 outlines the structure of the thesis and identifies in which chapters the aims and objectives are achieved.

1.2 The growth of temporary staffing agencies in the UK

The UK labour market was recently described by leader of the Labour Party, Ed Miliband, as "nasty, brutish and short-term" (Wintour & Topping, 2012:1). Indeed, the UK has come to represent a highly de-regulated, individualised and transient labour market (Peck *et al*., 2005). These characteristics stem from changes which occurred in the 1970s and 1980s when many

[1] Throughout this thesis the definition of 'non-standard' employment is taken from "The Employment Status of Individuals in Non-standard Employment" written by B. Burchell, S. Deakin and S. Honey for the UK Department of Trade and Industry (1999). It refers to non-standard employment as "those forms of work which depart from the model of the 'permanent' or indeterminate employment relationship constructed around a full-time, continuous working week" (Burchell *et al*., 1999:1).

OECD countries implemented a neoliberal agenda to increase national economic competitiveness within a progressively global market (Bergene *et al*., 2010). Technological change throughout the 1980s also increased the mobility of capital and allowed business to exploit global variations in labour costs and national regulations. As international trade and production globalised, national labour markets found themselves competing with countries that could offer lower wages, less stringent labour regulation and more attractive investment opportunities (Spilerman, 2008; Singh, 2004; Vogel & Kagan, 2004; Spar & Yoffie, 2000). A reaction to this and the concomitant reductions in employment during the 1980s was to 'free-up' the UK labour market by removing or marginalising market interventions such as welfare provision, trade unions, minimum wage, occupational health and safety laws and leave provision. It was believed that this would allow the labour market to function as closely to a 'frictionless' 'pure' market as possible (Crouch, 2010; Peck & Theodore, 2007).

Labour market deregulation was designed to allow business to respond more rapidly to market fluctuations, price movements and technological change, thus increasing national economic competitiveness (Crouch, 2010; Lee & Eyraud, 2008; OECD, 1994). *Flexibility* became the catch-all phrase used to justify policy which facilitated roll-backs in social security (Crouch, 2012; Lee & Eyraud, 2008). More generally, flexibility was considered "a euphemism for ease of hire and fire, and for a general elimination of constraints that might be placed on management's freedom to dispose of labour as it wants" (Crouch, 2010:18). It is against this backdrop that we understand changes in employment practices since the 1970s and the rise of TSAs in this process.

TSAs have flourished in the wake of labour market liberalisation (Peck *et al*., 2005). They are used by employers in increasingly large numbers worldwide to facilitate quicker and easier adjustments in labour and to allow firms to respond more effectively to market fluctuations

and product demand (Coe *et al*., 2009b; Kalleberg, 2000; Bronstein, 1991). TSAs alleviate many of the risks and legal obligations associated with employing temporary workers (temps) by legally assuming the role of 'employer of record' (Benner *et al*., 2007; Van Breugel, *et al*., 2005). This means temporary agency workers are paid directly by the agency which is also responsible for any benefit packages (of which there are few), taxes, health and safety provisions and other responsibilities usually allocated to the direct employer (Benner, *et al*., 2007; Peck & Theodore, 2007). The use of TSAs has become so widespread that "for millions of workers worldwide – in North America, Europe, Australia, Japan and beyond – temporary agency work now represents the daily employment norm" (Coe *et al.,* 2010:1055).

The use of TSAs is not a new phenomenon. Fisher (1951) highlights the importance of labour contractors in supplying Chinese harvest workers during extreme seasonal demand fluctuations in California as early as 1880 and later Mexican and Filipino workers through to the 1940s. In the UK some suggest that TSAs were being used in London as early as 1930 (Moore, 1965). After World War II TSAs began to develop a stronghold in the UK during which time many of the largest agencies were established including Kelly Services and Manpower (Ward, 2004). After the 1970s TSAs experienced continued growth and their role changed from simply meeting the *ad hoc* or seasonal demands of clients to become an integral part of business strategy across both public and private clients (Coe *et al*., 2010; Nollen, 1996). TSAs have burgeoned as companies rely on them to increase their adaptability to market regulation, flexibility policies, unpredicatable fluctuations in demand, economic uncertainty, and global competition (CIETT, 2011b).

There are over 10.4 million agency workers worldwide with global annual sales revenue for the agency work industry amounting to €247 billion in 2009 (CIETT, 2012). The emphasis in the UK on labour market flexibility has ensured that the country is the third largest market for

temporary agency work and represents 9% of the global agency work market (CIETT, 2012). In 2010 there was an estimated 11,500 private employment agencies in the UK comprising of 17,000 different branches. This is a very low 'branch to agency' ratio that indicates the highly fragmented nature of the UK market and the high proportion of small single-site agencies (CIETT, 2012; Ward, 2003b, 2002a). The UK has the fourth largest number of agencies after China, Japan and the US[2] (CIETT, 2012). In 2009 there were 95,865 people working directly for TSAs in the UK and 880,000 temporary agency workers employed daily (CIETT, 2012). This gave the UK a penetration rate[3] of 3% in 2009 which was the highest in Europe (CIETT, 2012).

1.3 Developing aims and objectives

As the use of TSAs in most countries continues to increase, a growing body of literature has sought to understand the dynamics of this industry and the impact of these intermediaries on workers and firms (this literature is discussed at length in Chapter Two). Here this literature is reviewed briefly to demonstrate how key gaps relating to i) *the role of TSAs in different local labour markets;* and ii) *the local activities of and relationships between different sized TSAs* were used to refocus the question raised at the outset of this thesis. Following this, I outline how the use of pilot study research developed and sharpened my aims and objectives.

1.3.1 The agency perspective

An important turning point in the literature on temporary agency work relates to the emergence of the *agency perspective* (Coe *et al*., 2010). The agency perspective argues that due to the growth and prevalence of TSAs, research on the temporary staffing industry (TSI)

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[2] This figure is based on data from 37 countries and comes from CIETT national federations 2009 data. Available at: http://www.eurociett.eu/fileadmin/templates/ciett/docs/Stats/Ciett_econ_report_2012_final.pdf

[3] A penetration rate refers to the proportion of all workers that are agency workers (see Coe *et al*., 2010).

should focus on the activities of agencies themselves and what impact they have on labour market functioning, employment norms and employment regulation. Prior to this, literature on temporary agency work had largely examined these issues through either a worker or firm perspective. Research based on the worker perspective examined the groups in society most likely to be employed via an agency (Vosko, 2000), why workers used agencies (Van Breugel, *et al*., 2005; Bergstrom & Storrie, 2003; Lenz, 1996; Purcell *et al*., 2004) and the experiences of agency workers (Gottfried, 1991, 1992). Research based on the firm perspective explored why firms used TSAs, how different sectors used TSAs to achieve numerical and functional flexibility (Befort, 2003, Forde, 2001; Kalleberg, 2000) and the ways TSAs have changed staffing strategies in firms.

The agency perspective demands a refocusing of this research. It argues that the activities of TSAs should be placed centre-stage and research should take more seriously the role of TSAs as "a major new *institutional* presence in liberalising economies" (Peck *et al*., 2005:5). Such research is crucial in understanding the multi-institutional functioning of labour markets and the changing employment practices that TSAs facilitate (Peck *et al*., 2005). There is an emphasis in the academic literature on national variations in temporary staffing markets from a *top down* perspective; for example, the national regulatory conditions conducive to the growth of the TSI (see Peck *et al*., 2005). In some cases this has accorded academics to group countries into specific regulatory categories (Walwei, 1996). Although this research has allowed for broad generalisations and predictions to be made regarding the growth of the TSI, some academics argue that these regulatory categories increase the risk that labour markets can be 'read-off' deterministically and with them, the role of TSAs (Coe *et al.,* 2009a).

Existing literature has also examined how the activities of the largest multinational TSAs – namely Manpower, Adecco, Kelly Services, Randstad, Vedior and Spherion – have *influenced*

national and international regulation of temporary staffing and in doing so *created* conditions conducive to the growth of the industry (Kuptsch 2006; Gonos, 1997). For example, some of the larger TSAs are being consulted as independent labour market experts by national governments and as such influencing the regulation and policy of national temporary staffing markets (Peck *et al*., 2005; Peck & Theodore, 2002). The largest TSAs are also having an impact on international regulation of the industry. For example, ILO convention 181, which granted legal recognition to TSAs across the globe, originated after sustained pressure from staffing-industry lobbyists (Peck *et al*., 2005). Thus, the TSI has not been a passive beneficiary in the growing surge of flexibility but rather has been an active force in the deregulation of labour markets (Peck & Theodore, 2002). In this way, TSAs represent much more than a passive service industry or labour market intermediary (LMI) but instead should be understood as purveyors of flexibility that are *actively* making markets for temporary staffing and in doing so changing the way that labour markets function.

Besides highlighting their influence on labour regulation, research has also argued that TSAs are actively reshaping labour markets by providing new forms of employment which prior to their existence were socially and logistically infeasible (Coe *et al*., 2009a; Peck & Theodore, 1998). In particular, TSAs have begun to change the way labour markets function by enhancing the individualisation of employment relations, severing relationships between firms and workers and reducing the risks associated with relying on temporary staff (Benner *et al*., 2007; Gonos, 1997). These changes have resulted in a host of insecure and precarious characteristics now associated with many national labour markets, including; two tier compensation systems in manufacturing, the normalisation of pre-screening in clerical and administration work, deunionisation, the erosion of employer-sponsored benefits, the

displacement of risk onto workers, lean workforce systems, the casualisation of public sector jobs and the restructuring of incentive systems (Peck & Theodore, 2002).

In short, existing literature highlights TSAs as an "*active intermediary* in the job market" (Peck & Theodore, 2002:147). This is in stark contrast to the ways the TSI represents itself as a passive market-enhancing service provider simply representing and reconciling the needs of supply (labour's desire for non-standard work) and demand (employer's additional labour requirements).

1.3.2 Identifying gaps: A local perspective on the TSI

Despite this growing body of literature there are areas of research on TSAs and their impact on labour markets that remain underdeveloped. One particular gap, which this research will address, is the role of TSAs in the *local* labour market. "[T]emporary staffing remains a stubbornly local industry" (Coe *et al.,* 2010:1065). This is due, in part, to the dependence of TSAs on labour as their trading commodity which has the effect of *territorially embedding* TSAs in areas where appropriate pools of labour are available (Coe *et al*., 2009c:15). Indeed, the primary role of agencies is to "connect local jobseekers to local employers" (Peck *et al*., 2005:28). Nonetheless, there has been little research on the active role that TSAs have in the local labour market. Addressing this gap will contribute to our understanding of how TSAs *make their markets locally* and *how the activities of agencies at a local level are affecting labour market functioning and employment norms*.

Addressing this lacuna is particularly pertinent to economic geography as existing debates highlight the significance and influence of local variations in; labour traditions and employer attitudes (Martin *et al.*, 1993); union density (Martin *et al*., 1993, 1996; Wills, 2001, 2002a, 2002b; Gray, 2004); institutional presence (Gray, 2004); sectoral breakdown; and historical

relations between local and national government. Furthermore, within this discourse there have been unequivocal calls for academics to:

> ...continue to reconceptualise how unions and *other labour market intermediaries* shape, and are shaped by, local labour market conditions particularly in the rapidly growing service industries (Gray, 2004:32 emphasis added).

In light of this, research which examines the role of TSAs in the local labour market not only contributes to debates regarding the role of TSAs on labour market functioning but also applies a valuable geographical lens to the activities of TSAs in the labour market.

The second gap in existing research relates to interactions between agencies. Existing research has predominantly concentrated on the activities and market making capabilities of the largest multinational TSAs. It has broadly defined market making amongst the largest TSAs as their ability to influence national and international regulation in a way that is favourable to the use of TSAs, as well as their ability to open up markets for temporary staffing in new places and sectors through the provision of risk reducing and flexibility enhancing employment packages. The prevailing focus on the market making activities of the largest TSAs is surprising, especially in the UK, where the three largest TSAs make up only 11.4% of the market share. This is opposed to 72.3% in France and 64.9% in the Netherlands whose markets are equally mature (Peck *et al*., 2005). This figure attests to the overwhelming proportion of small, independent and locally operated agencies in the UK that have created a highly fragmented and competitive temporary staffing market (Ward, 2002a). This fragmentation – comparable only to the US where the largest three TSAs have 11.9% market share – creates a temporary staffing market in which multinational and independent agencies rub shoulders on the high street and compete for the same business and the same pool of labour at a local level.

Despite these characteristics, there is limited research that explores the dynamics, structure and internal hierarchies which develop between smaller independent agencies and larger multinational TSAs. These interactions manifest at the local level – as different sized agencies compete for the same business and draw from the same labour pool. Therefore, we can assume that the TSI will have structural variations depending on the combination and activities of agencies in different localities. From existing research we know little about the interactions and competitive dynamics between different sized agencies within the UK and the effect this has on their active role in providing new employment solutions and *creating* markets locally. Further research in this area would take our understanding of TSAs beyond the multinational agencies and reveal a largely hidden aspect of how the TSI operates locally. In addition it would allow us to consider new ways in which market making may manifest locally and how the activities of smaller locally operated TSAs may also be defined as market making but which have not been considered in research which focuses on the largest multinational TSAs.

1.3.3 Responding to the gaps: A pilot study

A pilot study conducted in Nottingham (East Midlands, UK) at the outset of my research provided a starting point from which to unravel the two gaps I identified in the existing literature, namely a need for further research on the role of TSAs in different local labour markets and a need for further research on the local activities of and relationships between different sized TSAs. The pilot study in Nottingham consisted of eight telephone interviews and two face-to-face interviews with owners or senior managers of TSAs. Nottingham was chosen for two reasons i) it has a high proportion of TSAs, and ii) it was easily accessible from my research base (further justification for the pilot and case study locations are discussed in Chapter Three).

Generally speaking, the core occupational niches of temporary staffing are within administrative clerical, support staff and blue collar workers (Coe *et al*., 2009a). As such, the highest proportions of people in temporary agency work are at the low-end of the labour market (Coe *et al.,* 2010). Moreover, among the sectors that require low-skilled temps, light industrial and manufacturing companies are the most likely to employ large volumes of agency workers as a response to product demand and market fluctuations (Vidal & Tigges, 2009; Coe *et al*., 2008). TSAs that provide temporary staffing to light industrial/manufacturing are highly cost sensitive due to temps often being employed on minimum-wage and agency margins[4] accounting for a significant proportion of the overall cost of the worker. These TSAs rely on placing large volumes of agency workers in order to mitigate their low margins per temp. Consequently, TSAs recruiting within the manufacturing and light industrial sectors experience fierce competition through high-volume low-margin business strategies.

Due to the high proportion of people affected by this type of temporary staffing and the particular relations, interactions and activities between agencies competing in such a competitive part of the industry, this research focuses on TSAs which recruit for the light industrial sector. In this respect – and within the context of the characteristics described above – the pilot study was useful because it revealed that TSAs in the light industrial sector also frequently recruit for driving jobs such as forklift truck driver, van driver and other low-skilled occupations in this area. Consequently, the pilot study led to a broadening of the initial population of agencies to also include TSAs that recruit for low-skilled industrial and driving occupations.

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[4] Agency margins refer to the profit margins made by agencies and charged to firms on top of the hourly rate of the temporary worker.

In addition, the pilot study indicated that key ideas from the existing literature relating to national and international lobbying, globalisation and diversification that are currently used to define market making were less applicable at a local level, especially amongst smaller locally operated agencies. Crucially, however, the pilot revealed how agencies could play an active role within the labour market through local activities and as such demonstrate new tactics which this thesis argues constitute new means of market making at a local level. Three themes emerged from this work:

- the effect of local labour market characteristics on the process of recruitment;
- the relationship between agencies and their clients; and
- the influence of agency size on the activities of agencies.

Through coding and analysis of the pilot data it was clear that these three issues encompassed different social interactions, relationships and activities which had the potential to influence the functioning of local labour markets and potentially reshape the TSI more widely. As such, these three themes are used to inform the aims of this study.

1.4 Aims and objectives

The overall intention of this PhD is to add to our understanding of the active role that TSAs play within the labour market. It does this by examining how the activities of agencies locally can either enhance their ability to drive market development and reshape employment or alternatively constrain the market making role of TSAs. The research achieves this through the following aims and objectives:

Aim one:

To analyse the impact of local labour market characteristics on the activities of TSAs at a local level and how this informs the process of recruitment

Objectives:

1. To identify the specific geographic and economic characteristics of the local labour market within the case study region
2. Through analysing data generated through interviews with TSAs, to examine the effect of regional labour market characteristics on the evolution of the TSI, the associated spatial strategies of agencies and the spread of industry knowledge in the case study region
3. To outline the basic stages of the TSI recruitment process and to identify how – and in what ways – this process will be affected by local variations in the temporary staffing market, TSA locational strategy and industry knowledge

Aim two:

To analyse how the relationships between agencies and their clients impact on the activities of TSAs in the local labour market

Objectives:

1. Through analysing data generated from interviews with TSAs, client firms and industry experts – as well as participant observation – to examine the dynamics of the relationship between line managers within the client firm and TSAs, which also forms a key part of the basic recruitment process
2. To explore the extent to which agency selection through line managers in client firms has been increasingly affected by the centralisation of recruitment processes to HR and procurement departments
3. To examine the different priorities of line managers, HR and procurement departments in agency selection and the outcomes of the centralisation of recruitment on the adoption of national agreements
4. To explore the local impact of contractualisation on the emergence and development of different types of contracts between TSAs and client firms – in particular master and neutral vendors – and how these can affect the structure and hierarchies of the TSI locally
5. To analyse how the local activities of TSAs can resist such processes of centralisation and contractualisation and reshape the TSI locally

Aim three:

To analyse how the size of TSAs impacts on their role in the local labour market

Objectives:

1. To critically assess how agency size has been considered in existing research on the TSI
2. Through using data from interviews with TSAs, client firms and industry experts – as well as participant observation – to highlight how the size of TSAs can crucially affect their respective management structure, service quality and infrastructure
3. To analyse how such variance in management structure, service quality and infrastructure (by size of agency) affects their ability to meet the demands of client firms and the subsequent impact on the structure of the local TSI

Key to the thesis' theoretical contribution is the use of the *local labour market* as a conceptual category (Peck, 1996). It is used to analyse the ways in which social interactions amongst agencies and their clients influence how agencies operate and their impact on the wider functioning of the labour market. In addition, the analysis of how the geographic and economic characteristics of the case study location affect the activities of local TSAs adds to our understanding of regional variations within the UK's TSI. More specifically, the thesis identifies how TSAs work, their contracts and their relationships with clients and each other and how these activities have their own localised geographies which form part of and produce the local labour market.

The main empirical contribution of the thesis is significant. This study is the only PhD-length analysis of the TSI in a specific location and on a specific sector. As such (and to the knowledge of the author), it is the largest and most in-depth study of its kind. Moreover, this study uses methodological techniques including work experience, participant observation, internet forums and matched pair interviews (between agencies and their clients) which have not been used in previous research on the TSI. In this way, it provides significant new insights

and therefore makes an important contribution not only to our theoretical understanding of the TSI and local labour markets but also to our empirical knowledge of the industry and how it works.

1.5 Thesis structure

Chapter Two reviews the existing literature on temporary staffing agencies. It provides context for this research including narratives on the spread of neoliberal policies and labour market deregulation, the drive towards flexibility and the concomitant rise in temporary staffing. It addresses changes in the regulatory environment and staffing practices which have allowed the TSI to flourish. Chapter Two also explores what we have learnt about the TSI from a worker and firm perspective. In particular, it considers the complex dynamics that emerge from the triangular relationship between worker, firm and agency before focusing on recent literature from an agency perspective. It considers the role of TSAs as active agents with their own agenda, power and influence within the labour market. The chapter then outlines two key gaps in this body of literature. The first gap relates to the lack of research on the active or market making role of smaller, locally operated or independent agencies. Indeed, research to date has been dominated by analyses of the largest multinational agencies. The second gap concerns the role TSAs play in shaping the local labour market and employment practices. Chapter Two then outlines how the conceptual category of the 'local labour market', which emphasises dynamic economic and social processes, can be utilised to understand the functioning of locally distinct labour markets. In this way the thesis explores the different ways in which TSAs contribute to *creating* local labour markets.

Chapter Three discusses the different methodological techniques that were used to achieve the research aims. It begins by highlighting the issues and challenges associated with delimiting

the study area around a local labour market, which by definition are difficult to draw boundaries around. Thus, the chapter makes a clear distinction between the empirical boundaries of this study and the conceptual boundaries of the local labour market. It argues that the local labour market cannot be reduced to a spatial unit for the collection of data (Peck, 1996) but rather should be understood as a concept for thinking about the importance of social relations and interactions in producing labour markets. That said, the empirical boundaries of this study do exist and as such Chapter Three discusses how these were determined. To do this the study uses SIC Code data as an initial way of defining and mapping the spread of TSAs throughout the country. It identifies Birmingham as the case study area due to the high proportion of industrial/blue collar and driving agencies and the accessibility of the sample population. The TSI in Birmingham is then mapped according to the number and type of TSAs in the Birmingham (B) postcode area. Following this, the chapter outlines the methods used in the pilot study and details the key themes which emerged. These include the effect of local labour market characteristics, client relationships and size. It then details the innovative combination of qualitative data collection methods used in the final study including; 40 semi-structured interviews with TSAs; 13 interviews with clients of these agencies (matched pair interviews); and 12 interviews with industry experts. In addition, the final study utilised data collected from participant observation, my own personal experience working in the industry, policy documentation and internet forums. Finally, the chapter presents the process of data analysis as well as considerations of ethics, positionality and limitations.

Chapter Four is the first of three empirical chapters and it addresses the first research aim: *to analyse the impact of local labour market characteristics on the activities of TSAs at a local level and how this informs the process of recruitment*. The chapter provides an overview of Birmingham's labour market. This includes the specific geographic and economic

characteristics of the area including the continued importance of manufacturing and logistics industries, high unemployment rates and skills shortages. Chapter Four discusses what impact these local characteristics have had on the TSI in and around the city. It argues that the specific evolution of different agencies in Birmingham has had an impact on what the TSI looks like and how it functions, with key regional agencies appearing to dominate the market. It also demonstrates that the high proportion of industrial/blue collar and driving agencies has led to agglomerations of agencies in easily accessible areas of the city. This in turn has increased competition amongst agencies that vie for the same pool of candidates and clients. I argue that the activities of agencies in Birmingham have created an insular and secretive industry wherein the spread of industry knowledge takes place through three key channels, namely; shared clients, temp messengers and the movement of consultants. These connections between TSAs influence the structure and hierarchies which emerge locally in the industry. The chapter also argues that the specific labour market characteristics of Birmingham have created a locally specific TSI which affects the activities of TSAs on a daily basis. As such, aspects of the basic recruitment process are changed and reshaped as a result. To conclude Chapter Four highlights the basic recruitment process and the particular aspects of this that Chapters Five and Six explore further.

Chapter Five addresses the second aim: *To analyse how the relationships between agencies and their clients impact the activities of TSAs in the local labour market.* The chapter begins by outlining the dynamics of the relationship between line managers within the client firm and the agency. It then argues that as large scale use of temporary agency labour has increased, these clients are shifting decisions regarding agency selection away from line managers to HR and procurement departments. This is known as *centralisation*. Chapter Five presents data from the research which shows that these actors within the client firm – line manager, HR and

procurement – have different priorities for the supply of agency staff and as such set different criteria for agency selection. One of the outcomes of the centralisation of recruitment has been the widespread adoption of national agreements. The chapter explores the local impacts of these wider national agreements. The chapter moves on to examine the different contractual agreements which have emerged as a result of the centralisation of agency selection including master and neutral vendors. It argues that these agreements have changed the basic process of recruitment and in turn had an impact on the structure of the TSI. In particular these agreements are influencing the interaction and hierarchies which develop between agencies locally. Finally, Chapter Five considers how some agencies are able to resist and subvert these contractual agreements through local relationships with line managers or other agencies. As such, the chapter argues that wider agreements made within the TSI are being reshaped and remade by the activities of TSAs locally. This has not been discussed in the existing literature and suggests that at a local level, agencies are capable of remaking labour markets in locally specific ways.

In Chapter Six the thesis addresses the final aim: *To analyse how the size of TSAs impacts their role in the local labour market*. To begin, the chapter examines how agency size has been framed in the existing literature. In light of this, Chapter Six argues that there is a need to re-examine the issue of size and take into account agencies that currently do not fit into the existing analyses of size – for example, large multinational or small back street agencies. Interview data with local TSAs of different sizes demonstrated that there are three key characteristics which differed according to their size. These were: management structure and consultant autonomy; service quality and infrastructure; and branch networks. These three characteristics significantly affect how agencies develop new business, which clients they work with and how they provide a flexible solution to temporary staffing. Consequently,

Chapter Six examines how these three characteristics differ between agencies of different sizes. It then argues that these size dependent characteristics make smaller agencies more adept at meeting the demands of line managers while larger TSAs are better equipped to meet the priorities of HR and procurement departments. In this way, the size of the agency has a significant influence on the structure of the TSI. However, this is not as simple as matching large TSAs with large clients. Rather, by considering: i) the priorities of different stakeholders within the client firm and their influence on the process of agency selection, and ii) how agency size manifests at a local level through management structure, service quality and infrastructure, we can generate new insights into why certain clients work with certain agencies and how the TSI is structured as a result.

By way of conclusion Chapter Seven synthesises and reflects upon the arguments developed in chapters Four, Five and Six. In particular, it suggests ways in which agencies within the local labour market may be actively reshaping markets through their activities at a local level and demonstrates that some large national and multinational agencies may be marginalised by the smaller agencies because of the activities and relationships which develop within the local labour market. In so doing, the conclusion highlights the key contributions of this research to our understanding of how fragmented temporary staffing markets such as the UK operate and what role TSAs play in producing and shaping local labour markets.

1.6 Conclusion

This chapter has highlighted how the initial interest and questions for this research emerged. The development of the aims and objectives for this thesis was an iterative process. It began with an initial question about the *active role* TSAs play in shaping the labour market and employment practices. Such concerns emerged from discourses relating to the outsourcing of

recruitment to TSAs and my own experience of working in the TSI. The question was then considered in relation to the existing literature on TSAs. This, in turn, revealed the need to take more seriously the role of such intermediaries in local labour markets by analysing the role of TSAs from an *agency perspective*. Further consideration of this literature highlighted a need for more research on i) *the role of TSAs in different local labour markets* and ii) *the local activities of and relationships between different sized TSAs* (beyond the largest multinationals). These two gaps represent huge areas of potential study. Therefore a pilot study was conducted to ensure that in breaking these gaps down into a manageable research project, the research remained relevant to contemporary discourses and what was happening in the real world. The pilot identified three key areas of research which could contribute to addressing these gaps. These were; i) *the effect of local labour market characteristics on the process of recruitment*; ii) *the relationship between agencies and their clients*; and iii) *the influence of size on the activities of agencies locally.* The aims and objectives of this research were subsequently outlined and followed by an explanation of what is achieved in each chapter.

To reiterate, this thesis makes an important contribution to the literature on the TSI. It adds to our understanding of how TSAs operate at a local level, the importance of different types of client relationships and contractual agreements as well as reconsidering and adding new insight into the importance of size on the role of different agencies. It also provides a further insight into the fragmented and uneven distribution of TSAs within the UK. Furthermore, this research makes a theoretical contribution to our knowledge on labour market functioning. By analysing the effects of TSAs as new institutional actors in the labour market this research contributes to our understanding of the changing power structures associated with increased flexibility and how these influence the functioning of local labour markets. It demonstrates

that in addition to the active role TSAs play in making markets through national and international activities, at a local level the activities of agencies are also shaping labour markets and "remaking labor-market norms and conventions" (Peck & Theodore, 2001:474). To conclude, far from being a passive intermediary, this thesis demonstrates that TSAs are having a huge impact on our experience of work.

2 CHAPTER TWO: LITERATURE REVIEW

Temporary Staffing Agencies and Local Labour Markets

2.1 Introduction

Having outlined the key aims and objectives of the thesis, this chapter critically reviews existing literature on the temporary staffing industry and discusses in more depth the two key gaps which this research will address. It begins in sections 2.2 and 2.3 by reviewing the contextual background of globalisation and deregulation which has led to major changes in the UK labour market and created conditions conducive to the rise of TSAs. Section 2.4 addresses the notion of flexibility and its relation to changes in labour market practices. The problems and opportunities associated with flexibility are discussed in section 2.5 along with the rise in labour market intermediaries which have been used in increasingly large numbers to navigate evermore complex and individualised labour markets. TSAs represent a specific LMI which has seen particularly striking growth trajectories since labour market liberalisation, this is discussed in section 2.6. As outlined in Chapter One, research on temporary agency work has predominantly taken a worker, firm or agency perspective and this literature is reviewed more critically in section 2.7. The agency perspective is explored in more depth and the market making role of multinational TSAs is discussed.

In section 2.8 the chapter considers the first gap in the existing literature on TSAs relating to our *limited knowledge of the activities of other TSAs beyond the largest multinationals and the relationships and interactions between different sized agencies*. Section 2.9 then addresses the second gap concerned with *the lack of research analysing the market making role of TSAs in the local labour market*. Both sections 2.8 and 2.9 examine research on similar industries such as elite temporary recruitment and executive search agencies to highlight potential areas

of interest within these two gaps. In section 2.10 the chapter considers the various elements which determine national variations in the TSI and suggests that these will also create local variations within national markets. Finally, the chapter details how this thesis will use the 'local labour market' as a theoretical concept to analyse the influence of social relations on different labour market processes.

2.2 Globalisation: increasing concerns with economic growth and national competitiveness

After the post-war 'golden age' and the oil shocks in the 1970s the levels of employment in most OECD countries began to plummet. Initially the growth in unemployment throughout the 1970s was viewed as a transitory problem by many governments, economists and key policy officials. However, by the early 1980s the slowdown in productivity and continuing rise in unemployment came to be viewed as a more permanent issue (Gahan & Harcourt, 1999). The failures of deflationary policies implemented by all OECD economies to try and tackle the persistence of unemployment led to concerted research initiatives to allow for and control it (Gahan & Harcourt, 1999).

Compounding this problem was the increased mobility of capital, which allowed companies to exploit global variations in labour costs and less restrictive regulatory policies in other countries. This meant business had to be able to compete on an international level with large, powerful transnational corporations (TNCs) which increased the need for economic competitiveness within a global market. This heightened the pressure on business to make savings in labour costs in order to remain competitive among global competition (Lee & Eyraud, 2008:36). In this period of economic decline (1970s) and increased global competitiveness the optimal functioning of labour markets was crucial to national economic

survival and growth. However, this was a period of "worldwide slowdown in productivity and ... rise in unemployment" (Gahan & Harcourt, 1999:4) which led to a new generation of labour market remodelling.

In the 1970s many key policy makers, central bankers and industrialised economists believed that labour market regulations were restricting growth and employment by increasing the costs that firms faced in hiring additional workers and slowing the rate of structural adjustment (Gahan & Harcourt, 1999). Neoliberal policies which advocated pure and unregulated markets, as opposed to macroeconomic policies of regulation, were viewed as the only way of reducing unemployment and increasing growth. This outlook was echoed by the OECD *Jobs Study* in 1994 which recommended loosening employment laws that could impede the self correcting capacity of the market (Crouch, 2010; Lee & Eyraud, 2008; OECD, 1994).

This convergence of views amongst international and national policy makers, NGO's and economists led to the global surge towards policies of deregulation. The idea was that deregulation would reduce the strength of labour market institutions, public policy and collective action (designed to protect workers and provide security against uncertainty) thus increasing the market's ability to anticipate shocks and become a self-correcting, frictionless market. Deregulation would make employment relations more individualised and weaken organised labour, trade unions and industrial tribunals.

2.3 Global deregulation

Since the 1970s regulatory changes amongst labour markets within advanced industrial nations and many of the transition and developing countries, although uneven, have shown strong trends towards liberalised labour market regulation and flexible employment practices

(Peck *et al*., 2005). Deregulation refers to the removal of labour market interventions such as minimum wage laws, trade unions, occupational health and safety laws and leave provisions (Gahan & Harcourt, 1999) with the view to creating markets which can function more competitively. Deregulation can also refer to the decentralisation of these interventions or their marginalisation along with other areas of public policy designed to protect the workforce against uncertainty (Crouch, 2010; Gahan & Harcourt, 1999). In some cases deregulation (the removal or marginalisation of labour market interventions) has been confused with re-regulation meaning changes in regulation which establish more neoliberal policies of regulation (Gahan & Harcourt, 1999).

Deregulation often involves the *re-regulation* of public policy such as the use of individual contracts which replace collective bargaining or industrial tribunals. Critics of labour market regulation have advocated a re-regulation of industrial relations policies centred on liberalisation, individualised employment relations and less institutional protection for workers (Gahan & Harcourt, 1999). The move towards deregulation of labour markets was a response to the increased global economic pressure in the 1970s and the need for labour markets to be able to respond as effectively as possible to market fluctuations and increased global competition. It was also believed that the liberalisation of labour markets would increase their competitiveness making labour markets act more like commodity markets and become self-correcting.

The consequences and effects of deregulation vary depending on the extensiveness and depth to which the process took place nationally. In continental Europe "partial and targeted deregulation" (Esping-Andersen & Regini, 2000) concentrated on 'non-standard' employment relations but left 'standard' employment largely unchanged; this caused 'atypical' employment (temporary and part-time) to increase significantly. In Italy this led to "work

contracts of new entrants becom[ing] less stable... with lower wages" and a "sharp reduction of the social entitlements of the younger cohorts of workers" causing deep division and an "insider-outsider" labour market configuration (Barbieri & Scherer, 2009:3). Wider consequences of deregulation have seen levels of union density fall sharply in almost every OECD country; many have argued that this is not only a consequence but an integral aim of deregulation (Martin & Morrison, 2003). Current low levels of union density are indicative of the adoption of more individualised employment relations which are also associated with large contingent pools of marginalised labour (Peck, *et al,* 2005; Peck, 1996). Furthermore, the restructuring of the welfare system and deregulation of labour markets and employment relations contributed to a widening of employment inequalities and wage dispersion (Martin & Morrison, 2003).

2.4 Deregulation and flexibility

By the late 1980s the epochal decade of Thatcherism and Reaganism had seen policies of deregulation become widespread throughout OECD countries; individualism, competition, privatisation and commercialism had all influenced the redesign of social-welfare, employment policies, labour and industrial relations laws and led to a new way of being within a 'modern' economy and society (Massey, 2009). This climate of neoliberal policy reform contributed to the phenomenon of *flexibility* (Massey, 2009; Peck *et al.,* 2005). For business strategists and employers in the UK, the recession in the 1970s and early 1980s expounded the need for companies in all sectors to respond more immediately to market fluctuations, competition, price movements and technological change (NEDO, 1986). Consequently, in the early 1980s there was strong pressure to make all factors of production more capable of response to change and it was at this time that the 'flexibility debate' became

widespread throughout the UK and the rest of Europe; leading to some major changes in "manning practices" (NEDO, 1986:11).

In his seminal book *Workplace,* Peck (1996:123) identifies three strategies for labour market flexibility:

- Individualise employment relations by reducing collective bargaining and weakening trade unions.
- "Functional flexibility": enhanced internal flexibility through multi-skilling and reducing job demarcation thus increasing the versatility of individual workers.
- "Numerical flexibility": enhanced external flexibility through the increased use of part-time and temporary workers which allows for a rapid quantitative adjustment to labour intake depending on market demands.

For firms, the aim of flexibility is to increase responsiveness either by externalising many of the functions previously performed within the firm or reducing the amount of permanent employees and relying on contingent workers which can be easily altered thus externalising the risk of unpredictable market conditions (Peck, 1996). UNESCAP (2006) expressed the view that labour market flexibility is a key determinant to the success of labour market reforms, for example; the relaxing of hiring and firing regulations through policies of deregulation meant firms could introduce *numerical flexibility* which released them from having to retain unwanted employees.

Flexible employment practices were considered beneficial to the survival and resilience of business during economic crises as they allowed for a more deft response to the uncertainties of product markets. It has also been argued that periods of recession or high unemployment increase the possibility of implementing strategies of flexibility as the threat of job losses can aid negotiations relating to the use of temporary employment which workers and/or unionists may have previously objected to (Lee & Eyraud, 2008). In contemporary labour markets there

are many discrepancies regarding the benefits of deregulation yet, “the expressed pressure for further flexibility in the labour market is still strong” and today flexibility has become a common method of increasing business competitiveness (Lee & Eyraud, 2008:43).

As well as the benefits of flexibility for business, it has been argued that flexibility also has a role to play in reducing unemployment. Nickell (1997) argues that dynamic and flexible labour markets (such as those in North America) have low unemployment whereas those with rigid and inflexible labour markets (those in Europe) have high unemployment and need to “do something about their labour markets unless they want permanent double digit unemployment” (Nickell, 1997 in Gahan & Harcourt, 1999:6). However, policies which allow for dynamic and flexible labour markets have had wider implications on employment and the type of jobs available. Temporary staffing has been one of the fastest growing changes to have come from policies of flexible employment and, “[i]n the wake of liberalisation, temporary staffing has registered exponential growth rates in many countries over recent decades" (Peck, *et al.,* 2005:3). Moreover, the drive for flexibility has seen a “sustained growth in a wide range of ‘non-standard’... and contingent jobs, many of which are part-time, temporary and/or insecure” (Peck *et al.,* 2005:6).

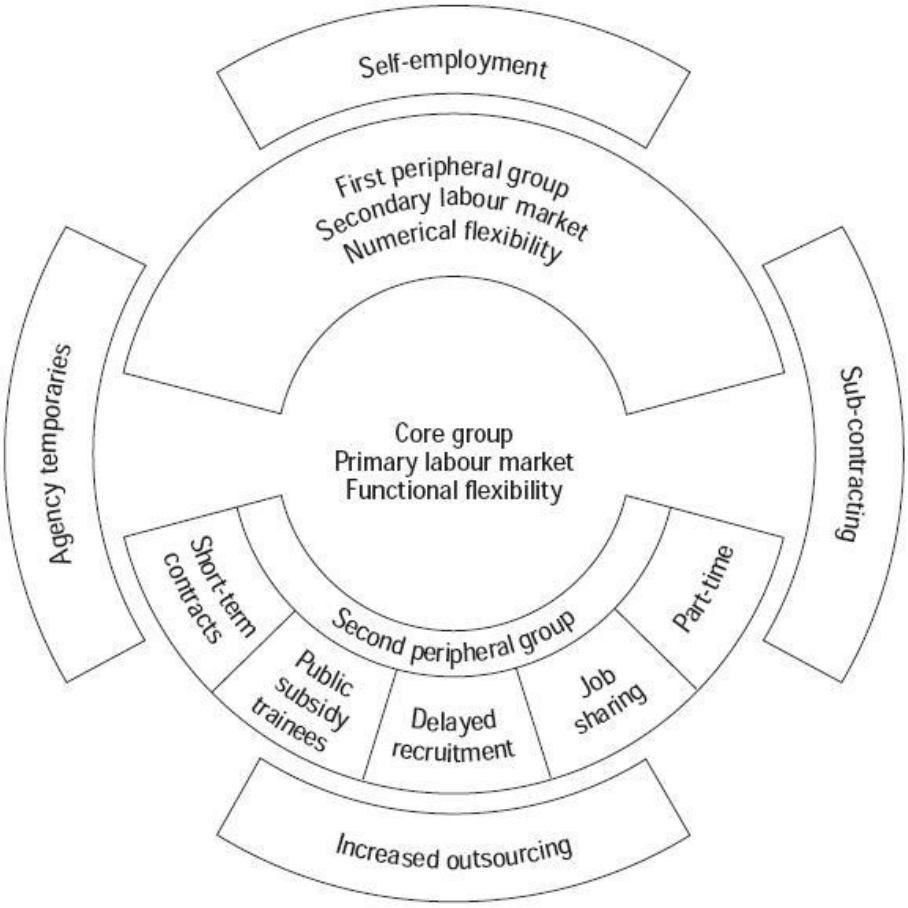
Flexibilisation and the increased use of temporary workers was not a temporary solution to the economic crisis of the 1980s; employers now believed they needed a generic flexibility amongst their workforce to cope with future, unknown change (NEDO, 1986). With this came a change in culture amongst managers and business strategists who began to value the ability of “a new generation of younger managers” (NEDO, 1986:69) who could cut jobs amongst the core workers and find alternatives amongst peripheral labour without sanctioning permanent employment growth amongst the core. This “dark side” of flexibility has created

different problems and opportunities for firms and workers (Harrison, 1994:11-12; NEDO, 1986).

2.5 Problems and opportunities of flexibility and the role of LMIs

Different firms have numerous different formats and methods for implementing flexibility. The notion of the 'flexible firm' and the use of a 'core' and 'periphery' workforce, originally proposed by John Atkinson of the Institute of Manpower Studies in 1984, was one of the first frameworks used to understand how flexibility had changed the way the workplace and workers were being organised (see Figure 2.1). These ideas have since been developed by academics and economists alike (see Atkinson 1984, 1985; Dale & Bamford, 1988; Atkinson & Meager, 1986a, 1986b; Pollert, 1988). Atkinson and Gregory (1986) identified two distinct groups within the workforce – the core and periphery. Core (permanent) workers were being used to increase functional flexibility, whereas, workers from the peripheral group, consisting of part-time and temporary employees, were brought in from the external labour market to achieve greater numerical flexibility.

Figure 2.1 The Flexible Firm



Source: Atkinson, 1984 in Bowers & Akhlaghi, 1999

The contractual statues of this peripheral group means they can easily be increased (hired) or cut (fired) depending on fluctuations in output (Atkinson & Gregory, 1986). In this way the use of temporary workers represents a distancing strategy which allows employers to off-load the risks of economic uncertainty onto the peripheral group (Atkinson, 1985; Meager, 1985; Dale & Bamford, 1988). Atkinson's model of the flexible firm is particularly applicable in the UK where labour laws have left employers relatively free to vary their employment contracts (Kalleberg, 2003). Indeed, in the 1980s the economic down-turn saw employers strategically segment their workforces into core and periphery components thus boosting the number of

non-regular workers[5] (Slater, 2011). Moreover, temporary and non-standard employment has increased again recently due to the growing dominance of the service sector wherein flexible working patterns facilitate the demand for a continuous provision of services on a 24/7 basis (McDowell *et al*., 2012).

During the 1980s Dale and Bamford (1988:193) argued that the increased use of temporary and part-time workers was leading to a "peripheralisation" of the labour market. One of the consequences of this was the polarisation of the two groups and a growing division between "organizational insiders and outsiders" (Kalleberg, 2003:156). The relationship between flexibility and segmentation within the labour market has attracted in-depth sociological, geographic, and economic studies (Kalleberg, 2003; Peck, 1996; Wilkinson, 1988). Labour market segmentation remains a contemporary problem and in 2006 the EU published a report based on the development of "flexicurity" which highlighted "the need for the adaptation of employment legislation to promote flexibility combined with employment security and reduced labour market segmentation" (EU, 2006:3-4). Many of the concerns relating to flexibility and the concomitant rise in segmentation address the job and wage polarisation between low skilled, low paid organisational outsiders and full-time secure insiders (Kalleberg, 2003).

Although the nonstandard work relationships associated with numerical flexibility may benefit workers with highly portable skills giving them considerable control over their employment situation, Kalleberg (2003:171) argues that workers with fewer portable skills

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[5] The definition of 'non-regular' employment is taken from the Japan Institute for Labour Policy and Training (JILPT) report on Non-regular Employment – Issues and Challenges Common to the Major Developed Countries (2011). In this report Slater presents the UK case and defines non-regular employment in the UK context as any deviation from 'regular' employment defined as "a permanent, full-time employee job, under contract to a firm" and therefore captures any deviation from this including "temporary jobs, part-time and self-employed workers" (44).

"may be less likely to exercise much control over their employment situations and thus often are in bad jobs that pay less and do not provide fringe benefits". Other concerns relating to the link between numerical flexibility and segmentation, amongst the increasingly marginalised group of lower-level peripheral workers, include job insecurity, the obsolescence of benefits, lower levels of pay and reduced employment opportunities. The issue of skills and training is also of particular concern; although core workers acquire new skills through firm investment (in order to increase functional flexibility) which increase their continuity of employment, peripheral workers receive little investment in training and their employment is dependent on the operation of the firm. However, temporary or casual work can benefit some workers as it allows greater flexibility in the number and pattern of hours worked. This is another reason for its increase since the 1980s as more women entered the labour market and benefited from flexible working conditions (McDowell *et al*., 2012).

Flexibility can also present a potential source of uncertainty for firms. Bosch (2004) argues that the drive towards flexibility and the concomitant increase in the use of temporary and part-time labour has led to the decline of employment relationships. Additionally, Kalleberg (2003) states that this increased segmenting of workforces could divide loyalty and diminish cooperation and teamwork, thus reducing productivity within the workplace. MacKenzie *et al*. (2010) also argue that flexibility can mean a loss of control for the employer who has to rely on sub-contracting firms or self-employed workers when those with specialist skills and in-demand trades choose to refuse offers of permanent employment in favour of market-based arrangements. This can cause problems in the planning and execution of work and can result in even more unpredictable labour markets.

For low-skilled and low-paid workers and those at the lower-end of the labour market the increasingly individualised and unpredictable nature of employment in the UK means

increased risk and insecurity (Allen & Henry, 1997). Yet, for the "desirably qualified" it can mean enhanced career development (Wills, 2009:443). Nonetheless, for employees of all types, their future success and security increasingly depends on their ability to navigate ever more complex and volatile labour markets (Benner, 2002). As such, employers and employees across an assortment of sectors and skill sets are using *labour market intermediaries* to help them do just that.

Broadly defined LMIs are organisations which help employers and job seekers in brokering or matching activities and help them find a best match for their advertised position or skill set (National Commission of Manpower Policy, 1978 in Benner, 2002). However, Benner (2002, 2003) offers a more comprehensive definition which moves beyond the simple 'matching up' activities to consider four fundamental functions that LMIs perform within the labour market. These include: reducing transaction costs, shaping compensation levels, risk displacement (particularly onto workers) and network building. By considering these four actions, Benner accounts for the traditional transaction cost approach but is also able to consider the wider non-market social relationships that shape the economic transactions between intermediaries and workers/employers and which are not driven solely by pricing and efficiency.

Using this definition Benner (2002) identifies three broad groups of LMIs; namely private sector, membership based and public sector. Public sector and membership-based intermediaries such as training/education institutions, professional guilds, trade associations and unions primarily aim to improve labour market outcomes for workers. In contrast, private sector LMIs generate profit by selling their services to employers. Some of the most common profit-seeking LMIs include TSAs, executive search firms, contracting firms, general employment/recruitment agencies, job boards and internet based recruiters. According to Coe and Jordhus-Lier (2010:226) private sector LMIs such as these "represent a unique fraction of

capital... that provides an increasingly important range of labour market services". Moreover, research has shown that *within both low-end temporary and elite labour markets private profit-seeking LMIs are driving market development and changing employment norms* (Peck & Theodore 2002; Faulconbridge *et al*., 2008). In contrast, public and membership-based intermediaries are more likely to emerge as a *response* to rapidly changing and volatile employment conditions (Benner, 2002). Therefore, this thesis focuses on TSAs as a private for-profit form of LMI that are actively shaping labour markets.[6]

It has been argued that the recent growth in different types of private for-profit LMIs is a response to the fever of flexibility which has characterised contemporary labour markets as well as being a compounding force for it. For example Benner argues that:

> Flexibility in regional labor markets contributes to the growth of intermediaries, which in turn help facilitate labor market flexibility – in essence labor market intermediaries are a fundamental feature of labor markets in the information economy (2002:6).

LMIs play a strategically important role in delivering labour market flexibility and can be used by firms in different ways to introduce flexibility into their corporate strategies. By providing firms with part-time or temporary workers TSAs and contract brokers facilitate external numerical flexibility through quick and easy adjustments in the labour force (Kalleberg & Marsden, 2005). Firms are able to individualise employment relations and wage bargaining by weakening trade unions through the employment of temporary agency workers. Contract brokers can recruit independent contractors to undertake specialist tasks without tying them to restrictive employment contracts thus easing hiring and firing within firms.

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[6] This part of section 2.6 is adapted from Enright (forthcoming): (Re)considering new agents: a review of labour market intermediaries in labour geography. This was a review article written by the author and published in Geography Compass during the time of this research (see Appendix One).

Headhunters and employment agencies can source and recruit multi-skilled workers which can be deployed to enhance internal functional flexibility.

Different LMIs are used depending on the sector and skill set of the employee and employer. Executive search firms, headhunters and generalist recruitment agencies find skilled permanent workers for the core workforce (see Beaverstock *et al*., 2010; Faulconbridge *et al*., 2008). Amongst temporary workers there is a distinction between intermediaries which help match up specialist workers and low-skilled workers. The temporary employment industry is polarised between agencies which place low-skilled temps, and contract brokerage firms or employment agencies that supply specialist workers. For example, McDowell *et al*. (2008) state that:

> ...the market which agencies construct and operate within is polarized between bottom-end, low-status and 'backstreet' agencies, supplying 'warm bodies' (Parker, 1994), and high status and highly skilled specialist workers for professional positions (Osterman, 1999) (p.751).

This distinction between skill sets is an important one because these two groups of workers (low-skilled, peripheral and high-skilled, expert) are "served by different types of TWA [Temporary Work Agency]" (Purcell *et al*., 2004:709). Moreover, there are distinct characteristics associated with either end of the sector. For example, TSAs specialising in the placement of low-skilled low-paid temps rely on a high-volume low-margin business strategy. As such, TSAs place large volumes of low-skilled labour and emphasis is placed on cost, speed and 'hassle reduction' for employers (Peck & Theodore, 1998, 2001). This enhances competition amongst TSAs within this sector of the industry and creates unique industry dynamics (these are discussed in more depth throughout the thesis). On the other hand,

specialist contract brokers emphasise a value added approach, quality of service and customised supply in the interests of the client company *and* employees (Purcell *et al*., 2004).

Their increasing role as purveyors of flexibility means intermediary institutions are reshaping the dynamics of flexible labour markets (Peck & Theodore, 2007). Moreover, the presence of some LMIs, especially TSAs, in nearly all countries and across a growing number of sectors, means that these LMIs provide both firms and policy makers with a new institutional medium through which to enhance the flexibility of labour markets (Peck & Theodore, 2007). Amongst the myriad different types of LMIs TSAs have by far seen the most significant levels of growth since the 1970s both in terms of sales revenue, geographical spread and the number of workers they are placing in employment (CIETT, 2012). The remainder of this chapter focuses on the rise of these formidable institutions and the impacts they are having on labour market functioning, employment and corporate strategy, before going on to discuss some of the gaps of knowledge within this growing body of literature.

2.6 The rise of temporary staffing agencies

As discussed, the global pattern of neoliberal regulatory reform, particularly within the US and UK has increased the use of contingent labour causing a burgeoning of temporary staffing markets. This, in turn, has led to a significant increase in TSAs used to manage this supply of labour and facilitate numerical flexibility for firms. The spread of TSAs globally has been varied and can depend on national regulation and the use of temporary workers in different countries.

Historically the largest markets for temporary staffing have been in the US and the UK. These countries have embraced projects of re-regulation which have accommodated the use of TSAs. This has led to thriving TSIs which currently represent the first (27% total annual sales) and

third (9%) largest markets respectively (CIETT, 2012). Nonetheless, measuring the TSI is a difficult business (Ward, 2002a) not least because of the different approaches used to measure it including; number of different TSAs, industry turnover, number of branches or the amount of people placed via agencies (see Coe *et al*., 2010). The REC suggests that the value of the UK recruitment industry in April 2011 stood at £24.7bn, 90% of which (£22bn) is comprised of turnover from the temporary staffing sector (REC, 2011a).

Not only is it difficult to measure the UK TSI it is also difficult to pinpoint exactly when temporary agency work began in the UK. It is clear that the insurgence of large US agencies in the late 1950s began the first wave of significant increases in the TSI. As the larger US agencies began to expand geographically from their heartlands they were quick to colonise the UK market. In the late 1950s Manpower opened its first overseas office in London (Ward, 2002a). The US continued to export temporary staffing to the UK and the rest of Western Europe and by 1971 the two largest TSAs (Manpower and Kelly Services) had entered the labour markets of Birmingham and Manchester and were closely followed by other multinational agencies such as Adecco (Ward, 2002a). But, the growth and geographical expansion of the largest multinational TSAs is only part of the story, during the 1990s, the UK labour market began to see a "burgeoning number of small, locally-operated and often 'back-street temp services" (Peck & Theodore, 2001:476). Initially with a focus on placing women in office jobs and men in construction these agencies soon began to diversify into other sectors and occupations so that by the late 1990's the UK TSI had seen rapid expansion from both multinational and domestic agencies across a wide range of locations and sectors.

Other countries in Europe such as France, Germany and the Scandinavian nations have been more cautious about their liberalisation of employment regulation compared to the UK and as such have seen a slower rise of TSAs. Nonetheless, the TSI in these countries has been

growing quickly since the early 1990s (Peck *et al*., 2005). The last decade has seen acceleration in the legalisation of agencies and significant re-regulation favourable to TSAs outside the US and UK heartlands and across most countries. Moreover, as policies of labour market deregulation spread through many OECD and transition countries the subsequent increase in flexibility amongst business has allowed TSAs to capitalise on the swell of temporary staff. Indeed, the growth of TSAs has closely followed this wider trend of deregulation, so much so that they have now become a major new institutional presence in liberalising economies, registering exponential growth in the wake of liberalisation (Peck *et al*., 2005).

One of the most significant events in the rise of TSAs was the passage of ILO Convention 181 in 1997. This regulatory 'green light' meant that in many countries private employment agencies were granted legal recognition and the ILO withdrew its prohibition of for-profit, fee-charging employment agencies (Peck *et al.,* 2005). Countries such as Italy, Japan, Greece, Belgium and the Netherlands began developing regulatory frameworks conducive to temporary staffing only after the ILO passed convention 181. Needless to say it was a massive milestone in the growth of TSAs and its impact on these and many other countries has been great. TSAs have, by no means, been a passive onlooker in this move towards legal recognition of employment agencies. This influential decision came after sustained pressure from business interests and staffing-industry lobbyists until the ILO eventually passed a convention which explicitly acknowledged the "very different environment in which private employment agencies operate" and noted their constructive "role … in a well-functioning labour market" (ILO, 1997:1 in Peck *et al.,* 2005:8). Today countries such as Brazil and South Africa are showing rapid growth in private employment agencies while Japan recently

emerged as the second largest market for agency work representing 19% of the world market (CIETT, 2012).

As global markets have opened-up some of the largest European and American staffing agencies have moved in and capitalised on newer, less developed national markets (Coe *et al*., 2008; Peck *et al*., 2005). Peck *et al*. (2005:10) argue that the expansion of TSAs is greatest in "*historically well-regulated but now actively liberalising* labour markets" (emphasis in original) which include, but are not restricted to, Italy, Germany, Japan and Spain; they call these areas 'virgin territory'. This has resulted in a "phenomenal increase of the [employment agency] industry over the last two decades" (McDowell *et al.,* 2008:751). Indeed, recent statistics demonstrate that the use of TSAs and the placements they are making amongst temporary workers are on a trajectory of rapid increase (SIA 2012g, 2013a).

The TSI did experience declines during the recent recession, these started in the US in 2007 and quickly spread to the rest of the world throughout 2008 and 2009 (CIETT, 2012). Nonetheless, the TSI saw a return to growth in the beginning of 2010 and has since recovered much of the ground lost during this time (CIETT, 2012). These patterns of growth fit with broader trends in the use of temporary workers. Forde and Slater (2001) present data from the Labour Force Survey (LFS) which reveal clear increases in temporary employees during the 1990s. They argue that the trend in temporary working in the UK is cyclical and can be seen to rise on the recovery of a recession, but is increasing overall. More recently reports suggest that non-regular work is increasing yet again, and is being encouraged as a solution to problems of high unemployment (Slater, 2011). Increases in temporary, part-time and contract work have led to, and been compounded by, the increase in TSAs as these intermediaries provide new types of 'flexibility packages' which further facilitate the use of non-standard and insecure employment forms (Peck & Theodore, 2002).

The UK remains the third largest market for TSAs (CIETT, 2012). This is due to the historic prevalence of agencies in the UK and the relatively light regulations on agencies compared to other European countries. The prevalence of TSAs in the UK (and US) had caused some labour advocates to campaign for the legal reclassification and legislative reform of TSAs in these countries in order to "effectuate a fair regime of regulation for these formidable players" (Freeman & Gonos 2005:295; Freedland 2003). Nonetheless, Freedland (2003) argues that the British legal system has been largely unwilling to legislate to control the triangular relationship between workers, TSAs and client companies leaving agencies a relatively free reign within the UK labour market and many agency workers amongst the most unprotected and exploited of all groups of workers. There have been some attempts to regulate the activities of employment agencies in the UK (see Tables 2.1 and 2.2) and protect the rights of agency workers. Much of this has been pursued by the European Commission and seen very lengthy and bureaucratic procedures for approval within the UK, often resulting in only partial adoption (Forde & Slater, 2001).

Table 2.1 Employment Legislation regulating the UK Temporary Staffing Industry

		Regulation of Employment Agencies	
Origin	Year	Legislation	Terms of Regulation relevant for the TSI
UK	1973	Employment Agencies Act	Distinguishes between employment agencies and employment businesses. Prohibits charging of fees to workers for finding them employment.
UK	1976	Conduct of Employment Agencies and Employment Business Regulations. Designed to amend the Employment Agencies Act.	Establishes the requirement to hold a license to operate as an agency (licensing scheme abolished in 1994). Establishes the Employment Agency Standards Inspectorate.
	2003	Conduct of Employment Agencies and Employment Business Regulations (amended)	Establishes a framework of minimum standards that clients, both work-seekers and hirers, are entitled to expect.
UK	2004	Gangmasters Licensing Act	Establishes the Gangmasters Licensing Authority and the licensing scheme for agencies in certain sectors (mainly agriculture and food processing).
UK	2008	Conduct of Employment Agencies and Employment Business Regulations (amended)	Extends rights for temporary agency workers.
UK	2010	Conduct of Employment Agencies and Employment Business Regulations (amended)	Detailed situations when fees could be charged for those working with photographic and modelling agencies.
UK (EU Directive)	2010	Agency Worker Regulations	Temporary agency workers should receive equal treatment to a comparable worker after 12 weeks on an assignment.

Source: Watts (forthcoming)

Other aspects of employment legislation have also affected the TSI in the UK. Table 2.2 presents these and highlights how they are relevant to the TSI and the activities of agencies.

Table 2.2 Employment Legislation in the UK Affecting the Temporary Staffing Industry

Regulation of All Employment			
Origin	Year	Legislation	Terms of Regulation relevant for the TSI
Stems from EU Data Processing Directive	1998	Data Protection Acts	Covered a range of activities including selection of candidates, the interview, management of employment records and monitoring within an agency.
	1998	National Minimum Wage Act	Sets the minimum wage that can be offered to workers.
Stems from EU Working Time Directive	1998	Working Time Regulations	Governs the maximum hours that a worker can work continuously in the following sectors: non-mobile employment at sea, inland waterways, lake and road transport, offshore employment and junior doctors.
Stems from EU Working Time Directive	2007	Working Time Regulations (amended)	Extends specific mention to temporary and freelance workers. Provision for minimum holiday entitlements.
UK	2003	Equal Pay Act	Ensures no discrimination in terms of pay.
UK	2003	Sex Discrimination Act	Ensures no discrimination according to gender.
UK	2003	Race Relations Act	Ensures no discrimination according to race.
UK	2004	Disability Act	Ensures no discrimination against those with disabilities.
UK	2006	Age Discrimination Act	Instigated regulations which make it illegal to discriminate towards people of a certain age.
UK	2010	Equality Act	Subsumed the Equal Pay Act, Sex Discrimination Act, Race Relations Act, Disability Act and Age discrimination Act into one piece of legislation.

Source: Watts (forthcoming)

The Agency Workers Regulations (AWR) (Table 2.1) is one of the most significant pieces of legislation for TSAs in the UK and has the potential to cause significant changes to the lives of many agency workers and the practices of agencies (REC, 2013). The AWR stipulate that agency workers which remain at the same workplace for twelve weeks are entitled to the same benefits and pay as equivalent permanent employees (BIS, 2011). This is likely to affect low-skilled, low-paid agency temps which are often employed on minimum wage but work alongside permanent employees in the core workforce which do the same job for a higher salary. However, recent reports suggest that pay rates for these temps have not been affected and in some cases have fallen despite this regulation (SIA, 2012e). Since the implementation of this regulation UK TSAs have developed new ways of avoiding the legislation and facilitating the continued cost effective and easy use of temporary agency labour for firms (SIA, 2013b).[7] Moreover, there have been concerns about the awareness of agency temps regarding their rights and entitlements under this new regulation (SIA, 2012f). As such it is debatable how much impact the AWR are having in the UK. Indeed, increasing legislation does not appear to be stemming the growth of agencies.

2.7 The temporary staffing industry from a worker, firm and agency perspective

The global rise of TSAs and their rapid growth has attracted attention from many academic disciplines including economics, sociology and geography. Here I review recent literature on agency work from the perspective of the *workers* employed via agencies; the *firms* that use agency workers and finally the *agencies themselves*. These three subheadings allow for a

[7] The AWR came into effect in the UK in October 2011 meaning the end of the first 12 week period fell on December 22nd 2011. As such, many of the TSAs and client firms participating in this research had anticipated the issues associated with this legislation but had not (at the time of interview) had any direct experience of the legislation or its implementation. As such, it does not form a focal point of this research but future research on the TSI may well explore the impact of this legislation on workers and agencies in more depth.

review of the temporary staffing literature across a range of disciplines as well as consideration of how the TSI differs from other employment industries such as executive search and selection and skilled contracting.

2.7.1 A worker perspective

Research on temporary agency work that focuses on the aims, aspirations and experiences of temporary agency workers as well as those members of society most likely to work via an agency provides a largely sociological account of temporary agency work from a workers perspective.

When addressing the over representation of particular groups placed through temporary staffing agencies some have argued that this is a result of the rational economic decisions made by workers (Lenz, 1996). Druker and Stanworth (2004) argue, for example, that married women with children, younger and older people, who have a marginal commitment to the labour market, *select* temporary agency work over other options in order to gain increased flexibility. Other decisions to enter the labour market via a TSA may be influenced by the desire to gain work experience or 'sample' various employers before making a commitment to a permanent job (Van Breugel *et al*., 2005). These schools of thought fall principally into the human capital approach which asserts that temporary agency workers chose this form of employment as a result of rational economic decisions (Lenz, 1996).

On the other hand, the labour market segmentation approach argues that some workers have little choice but to take up low-paid agency jobs due to the proliferation of TSAs and their increased use by client firms which means that "more and more points of entry into firms are through a temporary staffing agency" (Coe *et al*., 2010:1061). Amongst the lower end of the

labour market where the majority of workers placed though TSAs are found, the segmentation school of thought states that rather than being a rational choice the:

> ...social and spatial divisions and inequalities within external labour markets are argued to be the primary reasons why particular groups ... are drawn into (low end) temporary agency labour markets (Coe *et al*., 2010:1061).

The groups within society that often have little choice but to take up low-paid agency work continue to comprise a high proportion of young people, lone parents, minorities and women (Forde & Slater, 2005; Purcell *et al*., 2004).

Existing research has also explored the impacts on workers once they are working for an agency. Henson (1996) has argued that agency workers can often be stigmatised inside and outside the workplace by associations of being "just a temp" (Henson, 1996 in Coe *et al*., 2010:1062). Others have examined how this stigmatisation can manifest in workers sense of self and collective belonging (see Garston, 1999; Gottfried, 1991; Smith, 1998). Van Breugel *et al*. (2005) discuss the commitment of contingent workers towards host organisations in the Netherlands and how this is affected by their commitment to the agency. This research has explored the ramifications for workers of moving from one workplace to another and how this affects the ways in which workers identify themselves by what they do and where they do it. To this Henson (1996) adds that temporary agency workers are often viewed by the agency and the client firm as a flexible commodity while Rogers (2000) recounts opinions from interviews with temporary agency workers who shared a sense of being a 'non-person'. Moreover, the numerous worksites and short contracts encountered by temporary agency workers can lead to a spatial and temporal feeling of dislocation meaning workers are less likely to collectively mobilise or share a feeling of group solidarity (Deguili & Kollmeyer, 2007; Allen & Henry, 1997; Gottfried, 1992).

Much of the work on temporary agency workers has argued that workers employed via TSAs face specific disadvantages within the labour market, especially low-skilled workers at the lower end of the labour market which can constitute some of the most vulnerable groups in society (McDowell *et al.*, 2009). The emphasis on price and the inherent threat of competition amongst TSAs that specialise in placing large volumes of low-skilled workers means many of the risks faced by agencies are passed onto workers (Allen & Henry, 1997) and as such agency work is arguably the most procarious and exploitative of all non-regular work (McDowell *et al*., 2009). Furthermore, by carrying out discriminatory hiring practices and other unscrupulous client demands Peck and Theodore (1998) found that TSAs can actually institutionalise inequality and reify tendencies of segmentation creating hierarchies of inequality and new types of workforce stratification amongst the most vulnerable workers. In their study of agency workers within London's service sector McDowell *et al*. (2008, 2009) found that migrant workers from EU accession states were a particularly vulnerable cluster among agency workers. They also found that there were new hierarchies of inequality developing *within* this migrant division of labour which were distinguished by ethnicity, skin colour, legal status and right to work and which were creating a hierarchy of desirability amongst migrant temporary agency labour.

The *triangular relationship* which develops between agency workers, client firms and TSAs can also create distinct experience and dynamics for agency workers *vis-à-vis* direct employment (Gonos, 1997; Forde, 2001; Druker & Stanworth, 2004). Gottfried (1991, 1992) describes the duel mechanisms of control imposed on her as a temporary worker during participant observation in Midwest America. The dynamics caused by temporary agency work challenge the traditional assumption that workers and managers reside in the same workplace and instead agency work demands a re-theorising of the regulation and control of labour in

which the management of production and the management of labour reside in separate organisational domains. Within this multi-locational institutional space workers are subject to control and sanctions by the agency - through methods such as black listing, withholding of placements, dismissal, a promise of permanent work and records of performance on different assignments - as well as more traditional methods of control by the firm. The result is an intensifying of already precarious employment which leaves temporary agency workers nearly bereft of structural power in the workplace (Deguili & Kollmeyer, 2007:510 in Coe *et al*, 2010:1062)

A small body of research has considered how TSAs may increase possibilities for relatively low-skilled temporary agency workers. For example, James and Vira (2012) document the strategic use of a diverse range of LMIs including TSAs by call centre workers in India which they can use to circumvent limited internal job ladders and move to better paid more favourable jobs in other companies. Unsurprisingly highly skilled temporary workers e.g. specialist contractors or self employed experts are much more likely to benefit from using temporary work agreements which allow them to market their skills and services to multiple employers (Benner, 2002). There have been calls for further research on how the use of LMIs (including TSAs) can be used to increase worker agency and improve the experience of work for *low-skilled* workers (see Enright, 2013: Appendix One).

2.7.2 A firm perspective

Research which takes a client firm approach to temporary staffing has predominantly been concerned with the imperatives that encourage companies to use TSAs. Atkinson's (1984) 'flexible firm' model (Figure 2.1) can be used to explain how and why firms use TSAs to increase numerical flexibility. Indeed, Figure 2.1 highlights 'agency temporaries' as key group of the peripheral workforce. Using TSAs to recruit workers for routine jobs which require few

firm specific skills enables firms to make rapid quantitative adjustments to staffing levels without getting rid of skilled members of the core workforce (Befort, 2003; Segal & Sullivan, 1997; Dale & Bamford, 1988). This can give firms an advantage in response to fluctuations in product demand as TSAs can quickly find and place 'just-in-time' workers allowing firms to expand or reduce production at short notice without having to hire or fire permanent employees (Peck & Theodore, 2007; Biggs *et al*., 2006; Gottfried & Fasenfest, 2001). In this way TSAs proved a flexible 'buffer' of workers which can enhance the competitiveness of firms (Forde & Slater, 2005). TSAs may also be used to find individual workers at short notice to replace permanent employees on sick leave or holiday (Forde & Slater, 2005).

Reductions in labour costs have also been cited as a reason why firms may use TSAs. Again, this is most pertinent amongst low-skilled agency temps which are often paid less than their permanent counterparts. However, we may expect this to change as a result of the AWR but recent reports show that hourly rates for low-skilled agency temps have seen little if any increase despite this legislation (SIA, 2012i). Savings in labour costs are not necessarily related to direct reductions in comparable wages. Forde (2001) and Kalleberg (2000) point out that once the agencies mark up fee is charged the hourly rate of temporary agency workers is not actually a cheaper alternative to permanent staff, although, considerable savings are made by the firm because they are not liable to pay holiday pay, maternity cover or sick leave to agency temps.

A reduction in recruitment costs such as advertising and interviewing may also encourage the use of TSAs by some firms (Forde & Slater, 2005). By outsourcing these non-core competencies to TSAs the firm can focus on its key competencies. Using temporary agency staff also allows employers to screen potential permanent employees (Ward *et al*., 2001; Peck & Theodore, 1998). In this way firms can monitor workers during a probationary period of

temporary employment and reduce the risk of mismatch of skills amongst those they choose to employ permanently or allow themselves additional time to search for permanent employees (Houseman, 2001; Mitlacher, 2007).

Firms can also use TSAs to externalise the risks associated with directly employing workers. By using TSAs Coe *et al*. (2010) argue that:

> ...firms, in effect, are able to transfer the legal responsibilities of being an employer to the temporary staffing agency. ... Hence, firms are able to staff their organisations without the social, legal and contractual responsibilities inherent in the standard employment relationship (p.1060).

In short, TSAs allow firms to keep many workers on temporary contracts because workers are technically employed by the agency and the firm has no responsibility towards their job security (Van Breugel, *et al*., 2005). In this way TSAs "shield employers from benefit liabilities and break apart the implicit contract of continuing employment" because the worker is interviewed, selected, paid and insured via the agency (Peck *et al.*, 2005:5 see also EU, 2006).

In addition to their use in the private sector TSAs are increasingly being employed amongst public organisations as private investment initiatives are increasingly being used to provide public services. Coe and Jordhus-Lier (2010) argue that neoliberal restructuring has opened up a huge market for staffing agencies in the public sector and there is a growing prevalence of TSAs that place teachers, locums, health care professional and other public servants within local councils and other public organisations.

2.7.3 Agency perspective

As the use of TSAs has increased and their presence across a growing number of countries, sectors and workers has burgeoned research has sought to understand the dynamics of the TSI

from an *agency perspective*. This body of research examines how the TSI works, its expansion strategies, its key players and its impact on labour market functioning. It has argued that TSAs are not passive intermediaries which simply match-up workers and employers but rather, *the activities of many of the larger multinational agencies constitute a process which is actively opening up and creating new markets* for their services.

The emergence of TSAs as independent labour market advisors in the political sphere has legitimised their role as experts in recruitment, employment and labour market functioning. Furthermore, the development of trade bodies and professional qualifications in the recruitment industry can be seen as an attempt to change negative stereotypes which historically have plagued many sectors of the TSI. For example, Coe *et al*. (2008) argue that the International Confederation of Private Employment Agencies (CIETT) has been working for three decades alongside the American Staffing Industry and the largest transnational agencies to create the conditions for internationalisation of the industry from its heartlands. These tactics can also be seen as an attempt to mainstream the industry and the services they provide through negotiations with other stakeholders. The strategies of TSAs designed to augment perceptions of their position as professional, essential and reputable labour market intermediaries is a crucial element of their ability to influence temporary staffing markets and labour markets more widely. Indeed, we can view this behaviour as a way of creating demand for their services and *making* markets.

The market making role of TSAs can differ within different regulatory regimes. Research which considers national variations in the TSI has developed apace with research in the UK (Forde, 2001; Ward, 2004), the US (Peck & Theodore, 1998, 2001), Eastern Europe (Coe et al., 2008), Australia (Coe et al., 2009a), Sweden (Coe et al., 2009b) and Canada (Vosko, 2000) greatly improving our understanding of how the TSI is influenced by different

regulatory policies and labour market liberalisation. However, the largest multinational TSAs have not been passive bystanders to the opening up and deregulation of temporary staffing markets in different countries.

With an annual sales revenue of €247 billion (CIETT, 2012) many of the large multinational agencies such as Adecco, Randstad, Manpower, Kelly Services, Hays PLC and Temp Holdings (CIETT, 2012) have significant lobbying power amongst national governments and business. Given their political and financial weight in the global market, the existing literature has argued that some of the larger TSAs have been a considerable force in labour market liberalisation and as a result TSAs are now functioning in the context of a 'positive' regulatory environment for the first time (Peck *et al*., 2005). Coe *et al.* (2009a) argue, in light of this, that the TSI needs to be understood as more than a 'neutral' service industry, but rather as an active agent in the creation of temporary staffing markets.

Peck *et al*. (2005) have explored the ways in which the TSI has been an active agent in national deregulation throughout Europe, the US and more recently in transition and developing countries. They have argued that the process by which multinational TSAs capitalise on newly opening markets is not simply an impassive or inadvertent course, but rather, is determined, to varying degrees, by the lobbying power and financial influence of large, international TSAs. This is reflected in the oligopolistic characteristics of new temporary staffing markets which tend to be dominated by a small number of large international agencies (Peck *et al.,* 2005). Coe *et al*. (2008) note that the 1990s and 2000s witnessed a strong re-regulatory push by agencies and those that represent the industry with Peck *et al.* (2005:3) arguing that TSAs have now become "an active player in the ongoing 'flexibilisation' of labour markets".

Not only does the economic growth of the largest TSAs give them enormous lobbying power as potential investors amongst government but, their global spread and integration into the recruitment practices of many of the largest corporate firms also accords them the capacity to influence new kinds of intermediated employment practices that, without them, would be "logistically and socially infeasible" (Peck *et al*., 2005:4; Peck & Theodore, 1998). Indeed, the larger multinational staffing agencies have become such a *tour de force* that research suggests Manpower would be the largest employer in the world if all the workers on their books were counted (Purcell *et al.,* 2004).

Existing research on TSAs and temporary agency work from a worker, firm and agency perspective has provided valuable insight into this increasingly influential industry and its effect on different parts of society. However, there are gaps in this literature namely; i) limited exploration of the activities and competitive dynamics between large multinational agencies and smaller independent TSAs, and building on this ii) a limited knowledge of the role of TSAs (both multinationals and independents) in the local labour market. In the following sections these gaps are explored by outlining where further research in these areas may be most useful and by using research from outside the TSI to further inform the way we address these lacuna.

2.8 Considering independent TSAs and their relationships

Much of the work on the TSI has focused on the active, market making role of larger multinational agencies. Perhaps from our reading of this literature we should assume that only the largest TSAs are actively shaping our labour markets? This is unlikely. Given the host of small independent agencies in the UK and their significant dominance over market share *vis-à-vis* multinational TSAs it is reasonable to expect that these agencies also play a role as

active intermediaries that are reshaping and remaking labour markets and employment norms. Yet, we know little about how they are doing this.

The UK and US present particularly interesting cases in national temporary staffing markets. These two countries are saturated by a host of small independent agencies as well as branches of larger multinationals which create highly fragmented markets (Ward, 2002a). In contrast, in emerging markets and countries with stricter regulatory control on TSAs the large multinational agencies dominate market share. Peck *et al*. (2005) argue that these relatively oligopolistic markets are more 'orderly' and heavily corporatized. Yet, in the UK and US *the host of smaller independent agencies create a more chaotic and competitive market* for temporary staffing which the multinational agencies struggle to dominate. In order to provide a more illustrative picture of the UK TSI Figure 2.2 highlights some of its defining characteristics.

Figure 2.2 Key Features of the UK's Temporary Staffing Industry

Highly fragmented - Multinational agencies have a much lower market share than in other countries (only 11.4%) (Peck *et al*., 2005). Instead the UK has a high proportion of small domestic agencies all of which take a small fragment of the market share.

Very Heterogeneous – the UK market is made up of low-end agencies specialising in high-volume contracts with a low-margin mark-up alongside agencies which specialise in more skilled placements focusing on a low-volume high-margin approach (Ward, 2002a).

Fiercely competitive – low barriers to entry and the concurrent saturation of agencies in the UK market has created a cost focused industry and an inherent downward pressure on margins resulting in an ultimately self destructive industry (Ward, 2002a).

Providing flexibility –Firms use temporary agency workers i) as a flexible buffer allowing rapid adjustments in the face of fluctuating demand ii) replacement for workers on leave iii) to screen potential permanent employees, iv) as cover while firms recruit permanent workers (Forde & Slater, 2005).

Areas of largest growth – Ward (2002a) notes that the increase in the number of TSAs in the UK has focused around the largest towns and cities.

Largest occupational sectors – The highest number of placements by TSAs in 2010/11 were in the 'industrial/blue collar' (24%) and 'secretarial and clerical' (17%) occupational sectors (REC, 2011a).

Multinational agencies present in the UK – the UK hosts all of the largest multinational agencies including Adecco (Switzerland), Manpower (US), Vedior (Netherlands), Randstad (Netherlands), Kelly Services (US) and Hays (UK).

Source: Author[8]

Given all this, The UK TSI is "quite unlike any other temporary staffing industry in the 'developed' world" (Ward, 2002a:6) in that it remains highly fragmented with a mass of small independent agencies but with few of its own agencies entering the group of largest multinational TSAs (unlike America). The US demonstrates similarities to the UK TSI; it also has low barriers to entry for new TSAs and concomitantly thin agency margins (Peck &

[8] All self authored tables and figures are compiled from interview data, participant observation and direct work experience in the industry unless otherwise stated.

Theodore, 2002). Within the US Peck and Theodore (2002:185) argue that the arrival of thousands of new TSAs in the early 2000's saturated the "high-volume pink-collar and blue-collar segments of the market, where entry barriers are lowest" and led to "a mode of 'destructive growth'" where "[a]ggressive pricing strategies on the part of large firms, coupled with endemic undercutting among small agencies, contributed to falling gross margins across the industry". Peck *et al*. (2005) note that in the US increasing competition within the highly saturated temporary staffing market forced TSAs to innovate by developing value adding augmentations to the basic temporary business model or moving up the value chain of recruitment where the margins are higher. Testament to this is the fact that the US is the principal site for innovation in the staffing industry (Peck *et al.,* 2005).

Despite the similarities between the UK and US market and research in the US revealing pioneering and interesting tactics by TSAs to survive in a highly fragmented and competitive market, we know much less about similar initiatives amongst agencies in the UK. There is little research which explores the competitive dynamics between these TSAs or the tactics used by independent agencies to compete with multinationals. Moreover, it is unclear how the relationships or interactions which take place between the host of independent TSAs and the multinational agencies, both of which rub shoulders on the high street (Ward, 2003), influence employment norms, labour market functioning or the active market making role of different TSAs. Moreover, as different UK cities build up their own set of local independent agencies they develop different variations in their mix of TSAs. Yet, the existing literature has provided limited analysis regarding local variations in the TSI and the effect of this on the wider structure of the TSI.

Nonetheless, we can perhaps anticipate some key areas of interest regarding the activities of different TSAs (beyond the largest) from research outside the field of temporary staffing. In

the elite temporary help industry Clark (1993) argues that low barriers to entry place a heavy reliance on two types of reputation – 'individual' and 'corporate'. These are developed by the client firm through *repetition of satisfactory transactions between individual agents and/or agencies*. Reputation remains particularly important for elite staffing agencies due to the lack of recognition by industry bodies or trading standards certificates. Clark (1993) states that ultimately, the success of an agency is determined by the ability of elite search agencies to embed themselves within the market and to ensure continued business from client firms, this he argues, relies on them maintaining a good reputation within the market. Further to this, Clark (1993) notes the *importance of contracts within the employment industry* due to the lack of regulatory bodies which could be used to hold agencies accountable.

Some contractual agreements have received attention amongst the low-skilled sectors of the TSI. Forde (2001) has considered the deepening functional integration between TSAs and client firms in the UK which allow the intermediary principal control over recruitment functions and an on-site presence at the client company (see also Ward, 2004, 2003b). This gives the agency greater opportunity to manage the firm's recruitment and control agency workers at the workplace. It also grants the agency sole control over temporary recruitment on client site and is often secured via a contractual agreement. However, such integration into the client firm can blur the boundaries of the firm and distinctions between internal and external labour markets (Peck & Theodore, 1998).

Ward (2003a, 2003b) has explored the role of contracts relating to national and global agreements amongst larger national and multinational agencies and client firms. These agreements mean the supplying agency works with the client across all subsidiary sites in the UK and, in some cases, in other countries. Ward (2003a, 2003b) has argued that these agreements mean smaller independent agencies lose business. Yet, this provides little

explanation regarding the continued success of smaller agencies in the UK. As such, given the importance of contracts in similar industries (Clark, 1993) and the initial evidence which identifies different contractual agreements in the TSI, research which addresses the gap relating to the activities of a wider range of TSAs should examine the influence of contractual agreements on these activities.

Given the highly fragmented nature of the temporary staffing market in the UK and the large number of small locally operated and independent agencies which now dominate the industry, future research warrants greater consideration of how these agencies are actively making markets for temporary staffing and affecting employment. Multinational TSAs have demonstrated their market making capabilities through national and international lobbying power, offering different types of flexibility packages to large corporate firms, expanding into new sectors and markets and advising government on labour market policy (Peck *et al*., 2005; Coe *et al.,* 2009b, 2010). In contrast, independent agencies have little, if any, access to these spheres of influence; they represent limited lobbying power, are often too small to supply the volumes of temps necessary in large corporate firms or across multiple sites in the UK or globally, and do not have the capital to expand into new markets or sectors. As such, the potential for smaller independent agencies to actively influence labour market functioning and be market makers must occur through more local activities. This highlights the next gap in the existing literature – the limited understanding of the role of TSAs within the local labour market and how they actively remake markets locally.

2.9 Local Market Making – TSAs as active agents in the *local* labour market

Existing research which examines the active role of TSAs has focused on the influence of multinational agencies on the international and national flexibilisation of labour markets and

regulatory regimes (Peck *et al.,* 2005). Yet, it has given less attention to the ways in which different agencies make markets locally and the activities they use to actively reshape employment norms and labour market functioning in the local labour market.

This is particularly surprising given the inherently local nature of the TSI. Research has shown that the geographical reaches of elite search agencies and TSAs vary noticeably. McDowell *et al*. (2008) argue that whereas professional recruitment operates on an international scale, amongst temporary staffing labour markets "most of the transactions are local ones – connecting local job seekers to local employers" (Peck *et al.,* 2005:23 in McDowell *et al.,* 2008:752). Furthermore, Coe *et al*. (2010:1065) have argued that "[t]emporary staffing remains a stubbornly local industry". Yet, we know relatively little about how the activities of TSAs locally impact the way local labour markets function, their affect on regional differences between labour markets, employment practices or our experience of work. There is less still written about the ways in which the local hierarchies, relationships or interactions between different TSAs impact the wider structure of the TSI.

Moreover, TSAs are fundamentally tied to local labour markets in ways that other factions of capital are not. The advantage of global mobility often afforded to business and capital, is, in the case of TSAs, constrained by their dependence on place bound labour which is their trading commodity. The reliance on pools of low-skilled labour has the effect of anchoring or 'territorially embedding' TSAs to areas where there is a sufficient amount of workers with the skill set they require (Coe *et al*., 2009c). Although larger international agencies may capitalise on new foreign markets, they still "need some local people too, because every market is different in terms of labour-market rules, and customs" (Investment Analyst quoted in Peck *et al*., 2005:12). Existing literature has examined the ways in which these larger transnational agencies actively make markets for temporary staffing, yet, there is a gap in our knowledge

relating to the tactics used by TSAs to actively make markets in different local labour markets.

A small body of literature has begun to consider the market making role of other LMIs locally. Benner *et al*. (2007) analyse the activities of LMIs in the knowledge economy of Silicon Valley and Milwaukie and argue that there is a spectrum along which the activities of LMIs shape the characteristics and dynamics of the labour market. They refer to these activities as 'market meeting', 'market molding' and 'market making'. Market meeting refers to activities amongst LMIs which simply match workers with employers to fill available jobs. Market molding activities refer to those which go beyond short-term match-making to improve the career opportunities for temps. And, market making refers to the activities of LMIs which *alter the quality and distribution of jobs* and therefore allow *LMIs to play a critical role in structuring the characteristics of jobs themselves*.

Among other LMIs, temporary help firms (aka TSAs) can use a particular tactic which accords them a market making role (Benner *et al*., 2007). This relates to the development of the triangular relationship between the agency, worker and employer which is established when the TSA becomes the '*employer of record'*. Benner *et al*. (2007) argue that assuming the position as employer of record for the temporary worker means the TSA not only takes on the responsibility of finding the right matches for the employer but also all the legal responsibilities of being an employer such as wages, working conditions, taxes and labour legislation. Moreover, by becoming the employer of record, agencies have more leverage on the structure of jobs available at the client firm and Benner *et al*. (2007) found that this could impact the way the company recruits and employs its workers by reducing the core workforce and increasing the externalisation of employment to agencies. They also found that some TSAs are developing an on-site presence at clients sites, which although discussed in the

existing literature (see Forde, 2001; Ward, 2004), Benner *et al*. (2007) argue accords the TSA a market making role.

Given the scarcity of research on TSAs and their market making role in the local labour market, we can perhaps anticipate areas of interest or importance from similar industries which have explored the ways in which other LIMs (not just the multinationals) actively produce markets and influence demand creation for their service. Beaverstock *et al.* (2010) and Faulconbridge *et al*. (2008) examine the tactics and strategies of executive search and selection firms in their endeavour to enter new markets, legitimise their operations amongst potential clients and develop client demand for their services. They argue that executive search firms play an active role in shaping employment relations, changing recruitment practices and *creating* markets. One way in which they do this is by promoting market making rhetoric associated with the knowledge economy which reproduces demand for their services. In this way headhunters are able to convince corporations to entrust the search for their highest executives to elite search agencies in the belief that there is little alternative and without these intermediaries they risk inefficient recruitment, losing out on the best candidates and ultimately compromise their competitiveness (Faulconbridge *et al*., 2008).

Beaverstock *et al*. (2010) go on to state that the 'softer' processes associated with cultural and political-economic tactics of professionalization and legitimization require greater attention when considering the strategies of unbounded professions such as executive search. Amongst these strategies of professionalization and legitimization they identify two key approaches – the political-economy approach and the cultural-economy approach – which executive search firms use to establish a reputation of professionalism and legitimacy thus establishing client-demand. The political-economy approach seeks to mirror bounded professions and operates at the sector level by creating regulatory or professional bodies. The cultural-economy approach

is designed to create an acceptance and culture of using headhunters and employs more discursive strategies such as discourses of professionalism to *create markets* across diverse contexts. The research by Beaverstock *et al*. (2010:841) demonstrates how executive search firms "seek to legitimate their services and educate potential clients into the value addition of their services" thus embedding themselves within the labour market as a necessary intermediary.

In light of the existing literature from the TSI and elsewhere we can anticipate that smaller independent TSAs are capable of an active market making role in the local labour market through a set of different activities to those already discussed with reference to multinational TSAs. These may include; creating demand for their services by ensuring repetition of satisfactory transactions between individual agents and clients (Clarke, 1993); developing contractual relationships which secure client business (Clarke, 1993, Forde, 2001, Ward, 2003a, 2003b); and embedding themselves in local labour markets by legitimating and promoting the value addition of their services (Faulconbridge *et al*., 2008; Beaverstock *et al*., 2010). The following section outlines the theoretical approach used to analyse the role of TSAs within the local labour market and considers other issues which may impact their role as market makers or marginal players.

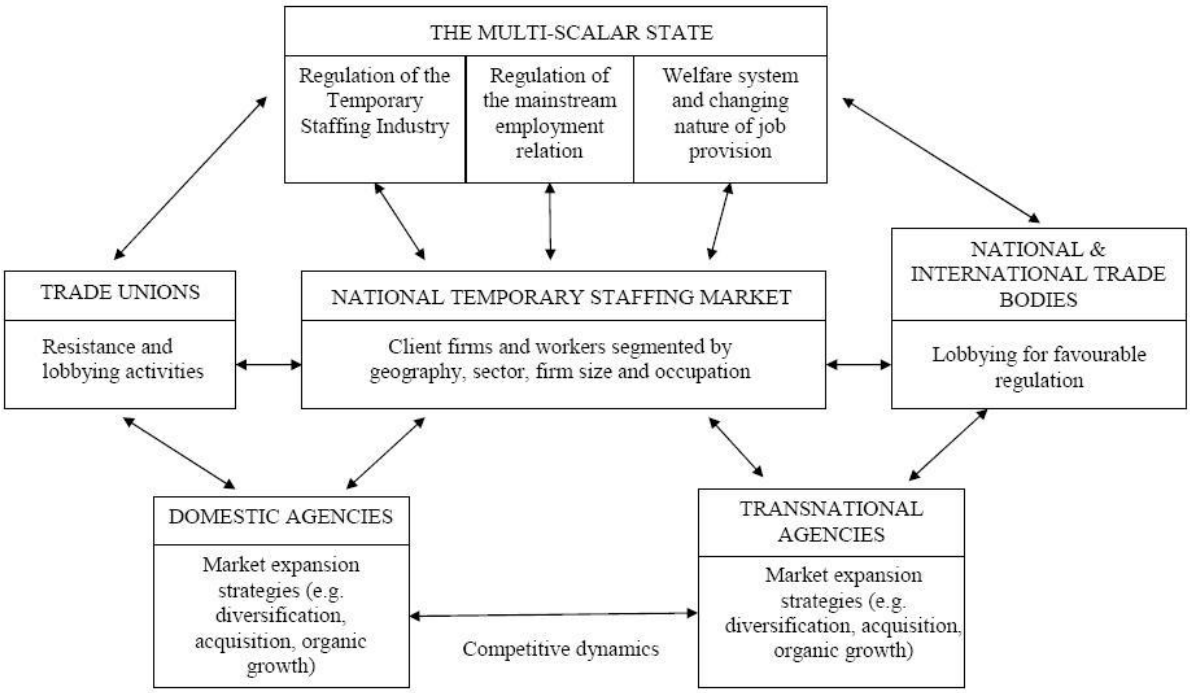
2.10 Approaching the local labour market

In studying distinctive *national* temporary staffing markets Coe *et al.* (2009a) argue that TSAs are an important institutional element in the multi-institutional field of interactions which produce these national staffing markets. Additionally, they state, there are other institutional elements beyond national regulation which create distinct national markets for temporary staffing. Therefore, temporary staffing markets should not be understood solely by variations

in national labour regulation and welfare systems. These "simplistic typologies" of regulation and labour systems may "miss the complex variegated ways in which distinctive staffing markets are continually produced (and reproduced) through ongoing *interactions* between these various elements" (Coe *et al*., 2009a:61).

These various elements are identified in Figure 2.3 and include the "threefold influence of national/local state regulation", the lobbying activities of national and international industry trade bodies and trade unions and the expansion strategies of domestic and transnational agencies (Coe *et al.*, 2009a:61). In addition, the geographic and sectoral composition of the economy warrants attention for the effect it has on the demand for temporary staffing and the concomitant impact on national variations in temporary staffing markets.

Figure 2.3 Process and Actors in a National Temporary Staffing Market



Source: Coe *et al*., 2009a:62

Coe *et al.*'s (2009a) conceptual framework identifies the range of different elements that should be taken into account in order to determine distinctions between *national* markets for temporary staffing. Considering the impact of these elements allows us to analyse what role TSAs will play in different national markets. They state that:

> ...their [TSAs] relative importance will vary from context to context. While in some territories agencies will be driving market development and regulation will be largely responsive to growth (e.g. the markets of Central and Eastern Europe: Coe *et al*., 2008) in others they may be tightly constrained by regulation and the ways and degree to which deregulation is occurring (e.g. Italy and Japan) (Coe *et al*., 2009a:61).

This thesis seeks to explore the potential for variations amongst *local temporary staffing markets* and how local interactions between domestic (smaller independent) TSAs and transnational TSAs (highlighted in Figure 2.3) can impact the functioning of local labour markets and the ways in which agencies are driving market development in different local contexts. It does this by examining the impact of the external economic and geographic characteristics of the local area on the activities of different agencies and the process of recruitment (see Chapter Four). It then analyses the impact of the interactions between different sized agencies and clients on the market making ability of different TSAs and the structure of the TSI more widely (see Chapter Five and Chapter Six). Thus, this thesis takes forwards Coe *et al.'s* (2009a) argument that temporary staffing markets and the role of TSAs will vary from national context to national context (i.e. between different national markets) and argues that temporary staffing markets and the role of different TSAs will vary from *local context to local context* i.e. *within* different national markets. In light of this the notion of the 'local labour market' is discussed below.

Debates within labour geography have long discussed the geographical unevenness and variability in labour market phenomena. Indeed, this literature has argued that labour markets

operate in different ways in different places (Peck, 1996; Storper & Walker, 1983). For example, Smith (1984 in Marston, 2000) argues that subnational patterns of labour skills are created in different regions depending on wage labour and create geographical separation amongst labour markets. As TSAs rely on high quantities of low-skilled workers we can expect TSAs to cluster in areas where there is an ample supply of low-skilled labour. We can assume therefore that different patterns among temporary staffing markets will occur just as regional patterns of labour skills exist. Moreover, the unevenness of other labour market phenomena *within* the nation state also has the potential to create regional variations amongst the TSI (Peck, 1996).

The notion of intra-national patterns amongst temporary staffing markets and *local variations* within the TSI come from and are situated within broader debates in human geography. Early segmentation theory explored the notion of different groups of workers operating in what appeared to be "different labor markets, with different working conditions, different promotional opportunities, different wages, and different market institutions" (Reich, *et al*., 1973:359). Academics argued that this segmentation of the labour market into different subgroups was due to the political-economic forces of (at the time) American capitalism and was achieved through different segmentation processes (Reich *et al*., 1973). Indeed, duel labour market theory emerged as a means of explaining the experiences of different groups within 'primary' and 'secondary' labour markets (Doeringer & Piore, 1971; Bosanquet & Doeringer, 1973). At the time dual labour market theory identified that some groups of workers in America – particularly poorly educated black men and women , women in particular and young people – experienced employment which was systematically different from more 'advantaged' workers. These groups, they argued, operated within the secondary labour market and experienced lower wages, poor working conditions, unstable employment

and limited opportunities for on-the-job training or advancement (Reich *et al*., 1973). Later research revealed that the UK labour market had a similarly dualistic nature to that in the US with women and minority ethnic groups disproportionally represented in the secondary labour market (Bosanquet & Doeringer, 1973).

These debates on segmentation and labour market structuring began to move analysis away from orthodox economic theory and recognised instead that labour markets are *socially structured and institutionally mediated.* This notion forms an important theoretical part of this thesis. However, segmentation theory was relatively silent on the question of geographic variability and showed limited sensitivity to the role of geography in labour market variation (Peck, 1996). Massey's (1984) work on the spatial divisions of labour changed this and became one of the most influential analyses on the inherently spatial nature of employment and production. Massey argues that *mobile* capital seeks the local conditions most conducive to profitable production and in doing so is able to exploit prior spatial variation in accumulation and waves of investment. As such the 'labour factor' – i.e. the historical skill base or pre-existing 'map' of labour qualities in a certain area – is fundamentally important in the location of production (Massey, 1984). In this way it is possible for different localities to be associated with different stages of the production process and the spatial division of labour becomes an *intra-sectoral* one with places being known for *who* is employed there in certain stages of the production process rather than *what* they produce (Clarke *et al*., 1986). However, there are tensions between Massey's analysis of the spatial divisions of labour and notions of labour market segmentation, not least the notion that in its search for spatial advantage capital may be expected to only consider the character of the particular segment of the local labour force which it seeks to employ (Warde, 1985 in Peck, 1996)

Peck (1996) uses a reinterpretation of the local labour market to bring together the ideas of segmentation and localisation. As such, Peck's theoretical analysis of the local labour market is used in this thesis as a means of incorporating notions of social regulation in labour market functioning and local variation within the TSI to suggest ways that TSAs may contribute to local variations in segmentation and types of precarious employment. Peck (1996:87) argues that "the local labour market has a real claim to theoretical status" as much more than "containers of universal processes" or "an empirical category akin to a data-collection unit" but as a theoretical concept worthy of standalone research. Instead, the local labour market should be understood as a *dynamic and complex set of social processes* that are continually being produced and reproduced and the boundaries of which are blurred and shifting (Peck, 1996). As such, this research focuses on the intricacies of the interactions and social relations between different sized TSAs and how these are articulated at a local level and how they actively make and remake the local labour market. Nonetheless, it does not ignore the connectedness of many larger national and multinational TSAs to wider global economic networks (Ward, 2003a) as well as the potential for local inflection of extra-local agreements or influences. Therefore, in order to understand the reciprocal relationship between TSAs, local economic geographies and wider networks we must recognise them as part of a local labour market that is dynamic and socially produced (Peck, 1996). As such, this thesis focuses on the social interactions and competitive dynamics between different types of TSAs and the ways in which these interactions and activities contribute to the production of the local labour market.

Adopting a theoretical framework based on existing work on local labour markets allows us to analyse the interactions which may impact the role of agencies locally and how this could affect their role as market makers or marginal players in the local labour market. Previous

debate has argued that "the structure and dynamics of labour markets themselves, vary over space" (Peck, 1996:11). As such, we should allow for the fact that temporary staffing markets are also likely to vary over space i.e. between different local labour markets. In the same way that "distinctive national staffing markets are produced through a multi-institutional field of interactions in which temporary staffing agencies are one important element" (Coe *et al.,* 2009a:58), so too we can assume that distinctive *local* staffing markets will be produced through a multi-institutional field of local interactions between TSAs and other local actors.

Peck (1996) argues that "if labor processes are shaped by their institutional context, then geographic variability in contextual factors ... is likely to be associated with spatial unevenness in labor markets" and therefore "[w]hat matters is not simply that institutions have effects, but what effects they have, when, and where". For these reasons this research considers the role of TSAs at a local level and takes into account that ways in which specific geographic variations in labour markets may create temporary staffing markets with specific characteristics relating to the institutional mix of agencies in the area, the evolution of the TSI locally and the spatial strategies of agencies. It goes on to examine how TSAs can play a key role as part of the institutional context of different labour processes thus further influencing spatial unevenness in labour markets.

Coe *et al.* (2010, 2009a) do acknowledge, to a certain degree, the "intra-national geography... of transnational temporary staffing agencies" (Coe *et al*., 2010:1065) and the influence of "regional industrial relations systems" (Coe *et al*., 2009a:58), yet, they do not provide a local understanding of the TSI as a means for analysing the influence of these regionally distinct components. This thesis suggests that adopting a *national* understanding of the 'multi-institutional field of interactions' may miss ways in which this multi-institutional field varies depending on different local influences. As such, I argue that we need to understand local

variations within temporary staffing markets and how these impact the activities of agencies and their role in the local labour market. Moreover, a greater understanding of local variations in temporary staffing markets and how the TSI functions locally could provide greater explanation of the "mosaic of distinctive national market formations" (Coe *et al.,* 2009a:80). This thesis should not be construed as evidence of the redundancy of the national model but seeks to add nuance to our understanding of the TSI by exploring the activities, interactions and processes operating in the local labour market wherein, this thesis argues, TSAs play a key role.

2.11 Conclusion

This chapter has discussed the impact that labour market reform in the 1970s and 1980s has had on the current surge in non-standard employment and the increase of LMIs (and particularly TSAs) used to navigate complex and individualised labour markets. This back-drop of neoliberal labour market deregulation and flexibility has led to a "frenzy of academic and populist speculation about the future of work" (Wills, 2009:442) and this research makes an important contribution to this debate. So far this thesis has demonstrated that the use of TSAs by both firms and workers in increasing. Firms are using them as a means to increase their ability to respond to market fluctuations, make savings and reduce legal responsibility to workers. Workers are using TSAs either because they have little choice due to their limited attachment to the labour market or because it provides them with the flexibility in working patters to incorporate work into their lives. As the use of TSAs continues to burgeon as does their influence on labour market functioning, national regulation and employment norms. The role of multinational agencies as purveyors of flexibility and active agents of temporary staffing is well discussed and we know from this literature that TSAs are important institutions in our labour markets and are worthy of further research.

Indeed, there is a need for further research because areas of this literature on TSAs are underdeveloped as is our knowledge of parts of the TSI. We know little about the ways in which the host of independent TSAs within the UK's highly fragmented market interact with their larger multinational competitors. There has been little discussion relating to the competitive dynamics between these different intermediaries and how these relations and local activities impact the role of different TSAs in the local labour market and the structure of the TSI more widely. Indeed, national variations in temporary staffing markets demonstrate that the influence of TSAs will vary in different national contexts; but, what about different local contexts? Do all agencies have the same influence on employment norms and labour market functioning in all cities in the UK, and in all regions? Addressing these questions is important because of the highly fragmented nature of the TSI and the large proportion of smaller independent agencies in the UK which now dominate market share. However, our knowledge of the structure and hierarchies which exist within these fragmented markets and their affect on the TSI and labour market functioning is limited. Addressing these gaps is also of particular relevance to debates in economic geography which are concerned with the ways in which labour markets are socially regulated and produced. This thesis aims, ultimately, to take forward the literature on TSAs to include a more nuanced understanding of the industry but also to use the TSI as a vehicle through which to analyse the local labour market including the "spatiality of labor market processes and the varied institutional terrain in and through which they operate" (Peck, 1996:109).

In light of the lacuna in the existing literature this thesis examines the relationships and interactions between the vast array of different sized agencies in a particular case study location. In the following chapter I discuss the empirical 'boundaries' of the local labour market and the rational for the case study location. Additionally, Chapter Three clarifies the

industrial classification for ‘TSAs’ and outlines the particular sector – light industrial/blue collar and driving – that this research focuses on.

3 CHAPTER THREE: METHODOLOGY

Methodological Considerations and Case Study Selection

3.1 Introduction

This chapter considers what sort of methodology is best suited to explore the research question identified in Chapter One – what role do TSAs play in shaping labour markets and employment practices? – and the two gaps in the literature identified in Chapter Two concerning the activities of different sized TSAs and their active role in the *local labour market*. In addition it outlines how the use of pilot study research further focused the approach.

This chapter outlines the methodological theory, techniques and processes used in this research. It is divided into three sections. The first section (3.2, 3.3 and 3.4) outlines the theory used to inform the methods in this study and the approach taken, its presents the data used to classify TSAs and determine their distribution throughout the UK and discusses the case study selection. The second section (3.5, 3.6 and 3.7) presents the methods and findings from the pilot study in Nottingham (East Midlands) and how reflection on pilot research informed the final study. The third section (3.8, 3.9 and 3.10) outlines the methods and approach used in the final study; it presents some figures regarding sample size and discusses the ethical considerations, limitations and issues of positionality which were taken into account. To conclude (3.11), I summarise how the discussion in this chapter has informed the research question and how this study was conducted.

3.2 Methods literature

This research is concerned with adding to current academic debate by considering the role of TSAs within the local labour market and how social interactions which occur locally between

agencies can impact the TSI more widely. Thus, it aims to further inform our understanding of how the TSI works and how TSAs impact the functioning of labour markets. Peck (1996:99) argues that understanding subnational variations in the labour market is necessary, "not in ritual celebration of diversity and difference but in order to understand *of what* national systems are constituted" (emphasis in original). By analysing the role of TSAs in local labour markets this research is an attempt to add to the current academic debate on TSAs by analysing *of what* national models of temporary staffing (which dominate the current literature) are made, and in what ways a local analysis of the industry may interpenetrate and add value to other research on national variations in temporary staffing. As such, this research shifts analytical focus away from what the TSI looks like nationally and refocuses our attention on how it works locally. To do this the research focuses on a specific area in which to analyse the interactions between agencies and how these impact on the role of TSAs in the local labour market. Nonetheless, this comes with specific methodological issues that can be allowed for with reference to existing literature.

There are issues associated with delimiting any research project, but this one exhibits particular complications. The primary concern stems from Peck's (1996) exacting declaration regarding the futility of trying to identify the limits of a local labour market, he states that:

> ...no matter how accurate the commuting data or how powerful the computer system into which it is fed, the problems of delimiting the boundaries of local labor markets are insoluble. The task is futile because it amounts to trying to draw a line around a complex and dynamic social process (p.88).

This research avoids reducing the local labour market to a "spatial unit for the collection, analysis, and presentation of labor market data" (Peck, 1996:87) which would nullify the theoretical status of the local labour market. Instead, it asserts that the local labour market is

worthy of analysis as a conceptual category which cannot be delimited empirically. That said, the empirical research has to be collected from somewhere, and data collection must stop somewhere, as such, the empirical boundaries of this study do exist and have to be determined in some way. Nonetheless, this study makes a clear distinction between the boundaries of the empirical data collection area and the conceptual category of the local labour market; it does not assert that these two areas are the same thing, nor that the local labour market can be cartographically delimited. The boundaries used to determine which TSAs will be included in this study do not denote the boundaries of the local labour market, but rather, were based on where concentrations of low-skilled TSAs are located. The data gathered from interviews with these TSAs was analysed using theory relating to the local labour market as a conceptual category which allows us to consider the complex and dynamic social processes that produce the local labour market but which this study does not attempt to "draw a line around" (Peck, 1996:88).

It was decided that a case study was the best method for collecting data from TSAs concentrated in one place and influenced by the same geographical and economic characteristics. Using a case study design presents the best method for understanding complex social phenomena by allowing for a holistic and meaningful investigation of real-life events (Yin, 2009). Moreover, using a case study for this research is useful because there are a number of economic and geographical influences which impact the TSI and these will vary regionally. For example, sectoral breakdown, unemployment levels, access to the city centre, skills shortages and a host of other regionally specific influences all have the potential to impact how the TSI has developed in a specific place and how it functions today (this is discussed in more depth in Chapter Four). Yin (2009) states that when the understanding of a real-life phenomenon (in this case the role of TSAs in the local labour market) is

encompassed by the understanding of contextual conditions (the geographic and economic characteristics or the area), case studies provide a method which allows for an in depth understanding of a contemporary phenomenon when "the boundaries between phenomenon and context are not clearly evident" (p.18). Perhaps the primary issue with using a case study as part of the research design is the fundamental problem of defining what the 'case' is, i.e. defining the unit of analysis. The existing literature makes a numbers of suggestions when selecting the case study area.

Yin (2009) identifies various studies with decidedly different units of analysis, for example the case may be an individual person and information collected about several individuals would be a multiple-case study. Alternatively, it could be an event or entity such as particular decisions in history, programs or organisational change. In all case studies, identifying the unit of analyses comes with warnings about assumptions of definition and pre-existing and influential components which may also need to be allowed for. Yin (2009:26) argues that what is most important when developing and justifying a valid case study is that the unit of analysis is "*the most likely illuminate of your research*" as well as the researcher having "*sufficient access* to the potential data, whether to interview people, review documents or records, or make observations in the "field"" (emphasis added). Consequently, when selecting my case study area I was looking for somewhere with a high concentration of TSAs focused on light industrial/manufacturing recruitment that I would be able to access easily. It is under these conditions that various potential case studies were reviewed and discounted and Birmingham was identified as the best place to conduct the research. This is discussed further in section 3.4 and Chapter Four.

3.3 Defining and mapping temporary staffing agencies

To identify which areas in the UK had large proportions of TSAs it was necessary to find a standard classification through which to identify TSAs and map their distribution. The Standard Industrial Classification (SIC 2007) code was used to do this.[9] The United Kingdom Standard Industrial Classification of Economic Activities (SIC) is used to classify business establishments and other standard units by the type of economic activity in which they are engaged (ONS, 2009). It is a commonly used framework for the collection of data on organisations conducting similar industrial activities.

There are different SIC codes for companies within the employment industry which make clear distinctions between different types of recruitment agencies (see Figure 3.1). The ONS states that "[i]n the case of outsourcing of employment services a distinction should be drawn between outsourcing on a temporary or on a long-term and permanent basis" (ONS, 2009:18). This is of particular importance to this research as it differentiates between employment agencies which recruit permanent workers and those which recruit temporary workers. Moreover, it broadly identifies the employment agencies which this study is concerned with (TSAs) and those which it is not (permanent employment agencies and elite search firms). Hence, SIC (2007) codes were the best method for initially identifying the agencies which would be included in the study.

[9] Due to the revision of the European Union's industrial classification system (NACE), the UK Office for National Statistics (ONS) was required to make major revisions to its standard industrial classification of economic activities to maintain identical systems and codes, this came into effect in January 2008. These new codes are known as SIC (2007) and correspond exactly to the NACE Rev.2 codes which are used to describe the European Community classification of Economic Activities (ONS, 2010).

Figure 3.1 Breakdown of SIC (2007) Code N78.20 Temporary Employment Agencies

The initial division of UK SIC (2007) is into 21 sections denoted by letters A-U. These groups are individually broken down into divisions which are denoted by two numbers 01-99. These divisions are broken down further into groups (three digits) and then again into classes (four digits). In some cases a fifth digit is added to denote the subclass. Following this method, the breakdown of employment services and the identification of temporary employment agencies (TSAs) looks like this:

Section N: Administrative and support services activities

Division 78: Employment activities

Group 78.2: Temporary employment agency activities

Class 78.20: This class includes the activities of supplying workers to clients' businesses for limited periods of time to temporarily replace or supplement the workforce of the client, where the individuals provided are employees of the temporary help service unit.

Source: Adapted from ONS, 2009.

There are significant differences between the activities of temporary employment agencies (or TSAs as they are referred to in this research) (N78.20) and the activities of employment placement agencies (N78.10). The main one being that individuals placed via an employment placement agency (N78.10) are *not* employees of the employment agency (they are employed directly by the client). Yet, employees placed through temporary employment agencies (N78.20) *remain* employees of the agency as opposed to the direct employer. Or, as Benner *et al*. (2007) note, the TSA assumes the position of 'employer of record'. The SIC makes two initial distinctions between different types of employment agencies; the length of employment provision and; who remains legally responsibility for the worker while they are working in the client firm. TSAs denoted by SIC code N78.20 place temporary workers which they remain legally responsible for while they are working in the client firm. It is this group of companies that this research is concerned with due to their increased potential for market making highlighted by Benner *et al*. (2007) when the TSAs remains the 'employer of record' and the

subsequent triangular relationship between TSA, worker and client firm which ensues throughout the entirety of the temp's work placement.

Having an official definition of TSAs meant it was possible to use SIC code N78.20 to map their distribution throughout the UK to identify areas with high levels of TSAs as potential case study sites. Table 3.1 outlines the distribution of TSAs in different regions of the UK in 2010. This is supplemented with official labour market statistics from NOMIS which were used to identify the number of people per TSA in the labour market and the number of TSAs per 1000 economically active people. As such, it was possible to determine not only which regions had the most TSAs but which regions were the most 'temped out' (Ward, 2003a; Peck and Theodore, 2002).

Table 3.1 Distribution of TSAs (SIC 2007 Code: N78.20) throughout the UK

Region	Number of TSAs*	Size of labour market†	Number of people per TSA‡	TSAs per 1000 people§
North East	470	1,273,200	2709	0.37
North West	1,590	3,431,600	2158	0.46
Yorks & Humber	1,240	2,662,800	2147	0.47
East Midlands	1,145	2,281,600	1993	0.50
West Midlands	1,450	2,671,200	1842	0.54
East	1,840	3,001,400	1631	0.61
London	3,995	4,111,400	1029	0.97
South East	3,195	4,443,000	1390	0.72
South West	1,205	2,676,800	2221	0.45
Wales	475	1,448,000	3048	0.33
Scotland	895	2,682,400	2997	0.33
N. Ireland	225	834,400	3708	0.27
UK Total	17,725	31,517,800	1778	Average: 0.50

Source: Adapted from ONS (2010) and NOMIS data

* Taken from ONS (2010) data for SIC Code N78.20
† Calculated using 'economically active' people in the region from Dec09-Feb11 NOMIS data
‡ This is the number of economically active people per TSA and is calculated by dividing size of labour market by number of TSAs
§ Calculated by multiplying TSAs by 1000 and dividing by size of labour market

In previous research the notion of being 'temped out' has referred to the number of TSAs per head of the working population (Ward, 2003a) as well as the size of the temp labour market in relation to the labour market as a whole (Peck & Theodore, 2002). Here, the data has been used to analyse how 'temped out' different regions of the UK are by calculating the number of TSAs per 1000 economically active people.[10] Using this calculation in conjunction with the number of TSAs in a region will ensure that the case study area not only has a large number

[10] The definition of economically active is taken from NOMIS (2011). This consists of people who are either in employment or unemployed (unemployed refers to people without a job but who are seeking employment or available to work).

of TSAs compared to other regions, but that it also has a large number relative to the size of its labour market i.e. that it is sufficiently 'temped out'. A number of regions stand out as potential case study areas due to the number of agencies in the region and the number of TSAs per 1000 economically active people (see Table 3.2).

Table 3.2 Top Six Regions with Highest Number of TSAs (SIC N78.20) and Most 'Temped Out'

Region	Number of TSAs	Region	Number of TSAs per 1000 people – 'temped out'
London	3,995	London	0.97
South East	3,195	South East	0.72
East	1,840	East	0.61
North West	1,590	West Midlands	0.54
West Midlands	1,450	East Midlands	0.50
East Midlands	1,145	Yorks & Humber	0.47

Source: Adapted from ONS (2010) and NOMIS (2010) data

The above regions all fulfil Yin's (2009) first determinant for a suitable case study area in that they display a large number of TSAs and therefore have the potential to be the most likely illuminate of the research. However, the North West is not as 'temped out' as the other top six regions and does not have as higher proportion of TSAs relative to the economically active population when compared to Yorkshire and the Humber.

There are a number of caveats which should be noted with regards to Tables 3.1 and 3.2. The number of TSAs in London is likely to be comprised of a large amount of specialist TSAs which fall into the N78.20 classification. This is because under the SIC classification temporary employment agencies are not identified by the sector for which they recruit. For example, TSAs which recruit for modelling agencies, actors or specialist IT contractors are included in the same SIC code as those which recruit for clerical, manufacturing, construction or industrial sectors. Although this implies that there is little distinction between TSAs which place workers across different skill sets and sectors, the existing literature suggests that this is not the case. Research on the TSI has shown that the *low-volume high-margin* approach of

agencies that place low-skilled workers and the *high-margin low-volume* approach of more specialist contract brokers and other placement agencies is a key defining factor of these agencies and the industry (Ward, 2002a). Although the data shows that there is a large quantity of TSAs in these six regions, this data will include some specialist or high skilled TSAs which do not place low-skilled workers and do not have a low-margin high-volume business strategy. For this reason, London and the South East (which is expected to have an overspill of agencies from London) were rejected as case study areas because the breakdown of their economies – which are dominated by knowledge and financial industries – suggests a large number of the TSAs in these regions will be specialist and high-skilled (REC, 2008a).

Yin's (2009) second criterion for case study selection suggests that a suitable case study area should provide the researcher with sufficient access to potential data either by access to interview subjects, documentation or records. As such, the East and North West (which had already been partially rejected because it is less 'temped out' than other regions) were rejected as case study areas because of the difficulties associated with accessing agencies in these areas. As the researcher I was based at the University of Birmingham, therefore, the East and North West represented regions with relatively minimal increases in agency numbers compared to the East Midlands and West Midlands but with significant disadvantages regarding access to agencies due to limitations on travel funding and timing.[11]

In light of this, the West Midlands and East Midlands presented regions with high numbers of TSAs and therefore likely to be most illuminative for the research (Yin, 2009). They had 0.54

[11] This initial decision not to focus on the East and North West as case study areas was reinforced later on in the research as I began to arrange interviews and the need to be flexible with meeting times was imperative. Often respondents would ask if I was available to visit them within the next hour or later that day, which meant that having quick access to TSA sites was very important in order to conduct face-to-face interviews and take advantage of gaps in respondent's busy schedules.

and 0.5 TSAs per 1000 economically active people respectively which indicates that their labour markets are relatively 'temped out'. The West Midlands represents the fourth most temped out region in the UK. The two regions also presented good access to interview participants due to their proximity to the University of Birmingham. As such, further research on these two regions was conducted to ascertain and justify their suitability as case study areas. The following section discusses why Birmingham in the West Midlands was chosen for the main case study and the East Midlands was used for the pilot study.

3.4 The case study

This study uses Birmingham in the West Midlands as a case study area in which to analyse the role of TSAs in the local labour market. The West Midlands has the fifth largest number of TSAs in the twelve regions identified (1,450), it is the fourth most 'temped out' region in the UK and incorporates 8.1% of the total TSAs in the UK. Using the SIC N78.20 classification it was possible to map the distribution of TSAs in the West Midlands. There is a large cluster of TSAs within the forty wards of Birmingham as well as in the wider Birmingham conurbation (see Figure 3.2). As such, the case study area incorporates all locations within the Birmingham (B) postcode, this includes the forty wards in the political boundary of Birmingham[12] and the wider Birmingham conurbation including; Solihull, Sutton Coldfield, West Bromwich, Oldbury, Smethwick and Cotteridge.

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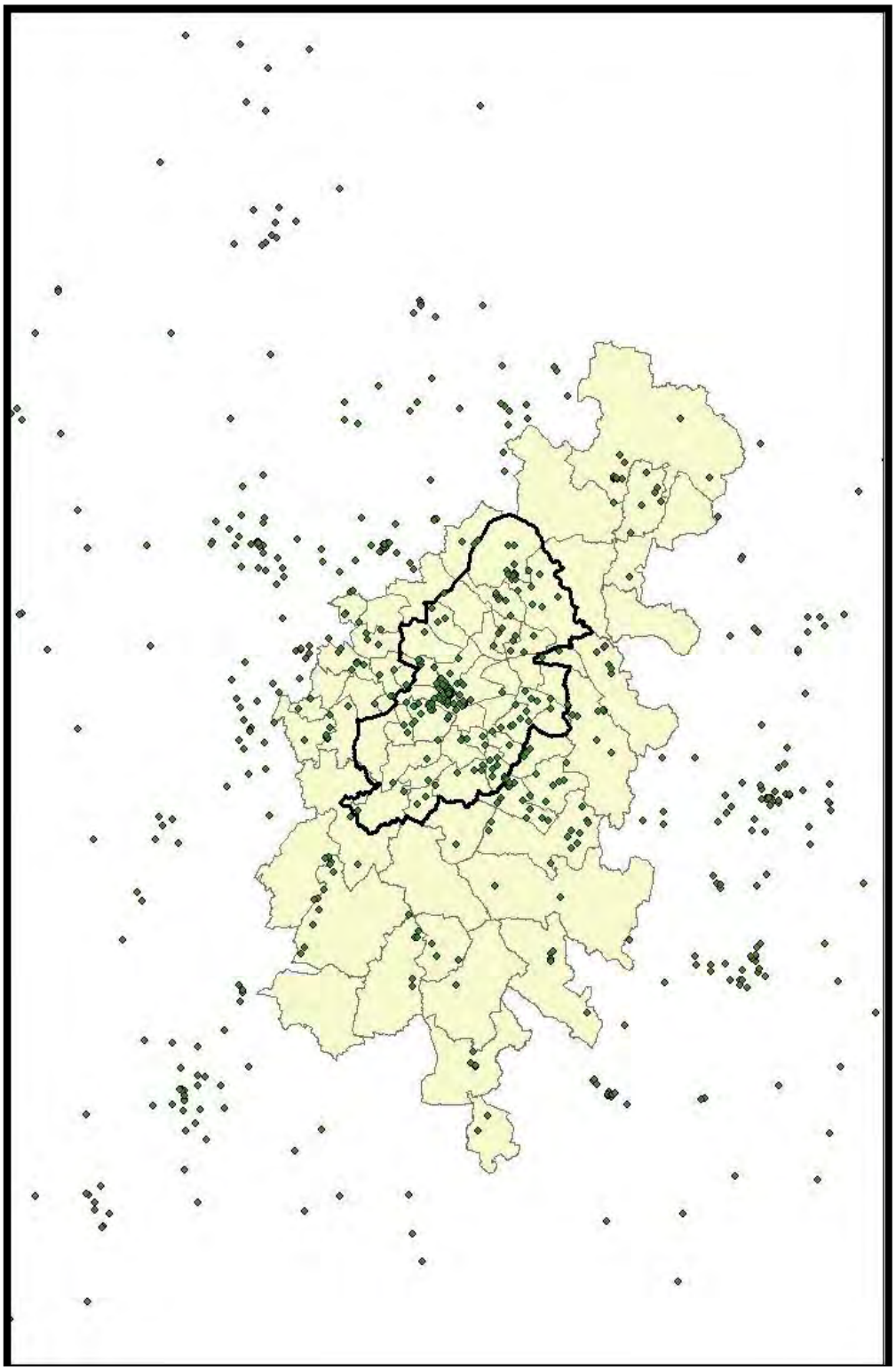
[12] Birmingham is divided into forty electoral wards which are used to elect local councillors. This political boundary is well recognised and can be clearly mapped. The forty wards include; Acocks Green, Aston Ward, Bartley Green, Billesley, Bordesley Green, Bournville, Brandwood, Edgbaston, Erdington, Hall Green, Handsworth Wood, Harborne, Hodge Hill, Kingstanding, Kings Norton, Ladywood, Longbridge, Lozells and East Handsworth, Moseley and Kings Heath, Nechells, Northfield, Oscott Ward, Perry Barr, Quinton, Selly Oak, Shard End, Sheldon, Soho, South Yardley, Sparkbrook, Springfield, Stechford and Yardley North, Stockland Green, Sutton New Hall, Sutton Four Oaks, Sutton Trinity, Sutton Vesey, Tyburn, Washwood Heath and Weoley. See http://www.birmingham.gov.uk/wards for information in individual wards.

Figure 3.2 A Map of Temporary Staffing Agencies in the West Midlands with the Birmingham Political Boundary Highlighted



Source: Data adapted from FAME database

Figure 3.2 used the FAME (Financial Analysis Made Easy) database to collate the SIC code data (N78.20) for all TSAs in the West Midlands. The FAME database was used as a starting point for analysing the type of agencies in the West Midlands because it uses Companies House data which provides basic company information on most of the TSAs listed. This was chosen over ONS data which lacks information on individual companies. The locations of TSAs were mapped using ArcGIS. The map shows a high concentration of TSAs in and around Birmingham City Centre and within the Birmingham political boundary which is marked with the black line. Inside this boundary all forty wards are represented by Birmingham City Council. The shaded area surrounding the Birmingham political boundary is the Birmingham conurbation in which there are also significant clusters of agencies.

Mapping the TSI in the West Midlands highlighted the following issues relating to measuring the number of agencies; i) during the recession many agencies with numerous branches closed offices in some locations and this was not always updated on company websites or on the FAME database, ii) participating agencies noted that creating the impression of a large branch network can help to win clients, thus setting up P.O. Boxes as 'ghost' offices in different locations was common practice and gave the illusion that the agency was part of a larger branch network when in reality only a single site was manned or active and iii) it is increasingly common for TSAs to develop an onsite presence at client premises meaning the TSA has a single head-office dealing with sales and *ad hoc* bookings while the rest of their sites only deal with one client. These methodological hurdles were overcome and reduced by a process of data 'cleaning' using supplementary datasets, phone calls and company websites.

The FAME database identifies 974[13] TSAs (SIC code N78.20) in the West Midlands region with 235 in the Birmingham political boundary and a further 185 in the wider Birmingham conurbation, giving a total of 420 TSAs in the Birmingham (B) postcode area. Although these boundaries are less important for the theoretical development of this thesis, they do help when determining the empirical boundaries of the study. To be sure, the boundary used for data collection does not mark the limits of the local labour market as the thesis recognises the shifting and porous nature of these boundaries.

In order to select the most illuminating area for the research, the case study had to demonstrate a high proportion of TSAs that specialise in *low-skilled* temporary recruitment in order for them to rely on the low-margin high-volume business strategy. Coe *et al*. (2009a) identify that:

> ...the core occupational niches [of the temporary staffing industry] are those of administrative clerical and support staff and blue collar workers, with almost two in five temporary workers being either in manufacturing or in 'intermediate' or 'elementary' clerical, sales and service jobs (p.67).

In addition, the REC (2011a) estimated that in 2010/2011 1,049,333 placements were made by TSAs with *'industrial/blue collar' placements making up the largest occupational sector* at 24% followed by 'secretarial and clerical' at 17%. Moreover, amongst the light industrial and manufacturing sector temporary agency workers are typically used in very high volumes to enhance numerical flexibility (Vidal & Tigges, 2009). These types of jobs include routine production operatives, assembly workers, warehouse pickers and packers and other low-

[13] This figure differs from the ONS data which suggests that there are 1,450 temporary employment agencies (N78.20) within the West Midlands. There are a number of reasons this discrepancy may have occurred; i) it is not stated from the ONS data how the regions are determined and it is possible that the different datasets are using different regional boundaries; ii) the data from either dataset (Companies House or ONS) may have gaps in the data, different years of collection or duplicate entries. These issues are addressed by further analysis of the data via telephone and internet research and additional databases such as Yell.com.

skilled blue-collar occupations. In contrast, in intermediate or elementary clerical and service sectors, volumes of temps tend to be lower, with temps being employed in smaller numbers to cover sickness, with call centre work being the one exception (Ward, 2003a; James & Vira, 2012). As such, *this research focuses specifically on low-skilled light industrial/blue collar agencies* because they exhibit the low-margin high-volume business strategy most strongly (it also includes driving agencies for reasons discussed in section 3.6). The geographic and economic characteristics of the local labour market will influence the type of TSAs that dominate in any one area (Coe *et al.,* 2009a), therefore, an area with strong light industrial and manufacturing sectors will be most likely to have TSAs which rely on a low-margin high-volume business strategy and provide the best case study for this research.

Using only the SIC code it was not possible to determine which sector TSAs recruited for as the data does not make this distinction. As such, the ONS and FAME data also included agencies outside the interests of this study, i.e. those that place high-skilled or specialist temporary workers. Therefore, after selecting Birmingham as a potential case study area it was necessary to break this data down further to establish the proportion of agencies that focused on low-skilled industrial/blue collar and driving sectors. This was undertaken using additional information from the Yell.com database and further internet and telephone research.

The FAME database identified 420 TSAs in the B-Postcode area. In addition, 25 suitable TSAs were identified using the Yell.com database. These included branches of large national and multinational agencies which were not included in the FAME data. From this accumulate total of 445 TSAs I undertook internet and/or telephone research on all these agencies. From this data 'cleaning' process 118 TSAs were identified that were no longer operating or were duplicate entries. This left a total of 327 TSAs (N78.20) operating within the B-postcode area.

Using the FAME database and Yell.com as well as further internet research I identified that 87 of these agencies recruit for the industrial/blue collar and driving sector. This represents 26.6% of agencies in the B-postcode area. This relatively high proportion of TSAs in the light industrial/blue collar and driving sectors is representative of Birmingham's economy and sectoral breakdown (REC, 2008b). Birmingham's economy and labour market and its concomitant affects on the regional TSI are discussed in more detail in Chapter Four.

3.5 Pilot study aim

The aim of the pilot study was to create a small scale version, or trial run, of the main study which would facilitate the ability to conduct the final study and answer an informed research question with maximum precision and output (van Teijlingen & Hundley, 2001). In conducting the pilot study I primarily wanted to test that what I wanted to try and understand *actually existed* in the field, that being; that different TSAs were interacting locally and that they were having some kind of impact on the local labour market. Current literature has suggested that the TSI is more than a neutral service industry and TSAs are driving market development and facilitating new kinds of intermediated employment practices (Coe *et al*., 2009a). Consequently, the pilot study helped to generate a preliminary understanding of how this was happening on the ground, and, more importantly, to confirm that it *was actually* happening.

The pilot study helped me to explore the concept of market making (and the potential for marginalisation) at a local level in order to outline the practical features of these phenomena that can then be identified and explored in the field. Theoretical definitions of market making were developed from the existing literature, discussed in Chapter Two. These existing

definitions were explored in the pilot study as well as any evidence or practical examples of market making or marginalisation which have not been discussed in existing research.

Taking time to design and conduct the pilot study had additional advantages. It provided the ability to test the logistics of the final study such as time, response rates, suitability of questions, and resources. In addition it helped me generate a valuable vernacular that meant that I could express myself more succinctly using the industry lingo', and with an assured sense of what certain phrases and words meant in the industry. I practiced and became confident when conducting telephone and face-to-face interviews with elites. Many of my interview questions became memorable and I became familiar with where certain conversational avenues would take the interview and how to steer participants away from conversational cul-de-sacs. The pilot study was a valuable tool in the planning process of the final study and improved the quality and validity of results gathered from the final project.

3.6 Pilot study method

The pilot study consisted of telephone and face-to-face interviews with senior managers and owners of TSAs in Nottingham (East Midlands). This region was chosen because it demonstrates a high proportion of temporary employment agencies and is the fifth most 'temped out' region in the UK (see Table 3.2). It is also within access of the research base meaning interviews could be conducted at relatively short notice if necessary. Moreover, the economic and sectoral breakdown of the East Midlands and West Midlands are not un-similar, in fact, in their regional profiles the REC combines these two regions (REC, 2008b).

The population of suitable agencies was identified using the FAME database. This data was stratified first by identifying all companies with the SIC code N78.20 and then by postal

region.[14] The total agencies in the Nottingham postcode region amounted to 174. This data was cleaned using company websites and the Yell.com database to determine if the company was still active and to confirm the address and telephone number. Each TSA was then individually checked for suitability to ensure they recruited low-skilled temporary workers, this was done via their website or, if no website was available, agencies were called. The FAME database population was supplemented using a Google search for low-skilled TSAs in Nottingham as well as Yell.com and a local telephone directory to identify any agencies which may have been missed. Once the data had been cleaned, supplemented and checked, the final number of suitable temporary staffing agencies (those that recruited low-skilled temps) was 78 in Nottingham. This represents 45.8% of the initial 174 agencies from the FAME database. As such it was clear from the pilot study that the dataset for the final study would need a significant amount of sorting and cleaning before it represented a true picture of the number of active and appropriate agencies in the B-postcode area.

Having identified 78 suitable agencies in the N-postcode area I began contacting these agencies via telephone to ask for interviews. Due to the in-depth nature of this research and the importance of understanding the intricacies of social interactions amongst agencies in the local labour market it was decided that semi-structured interviews were the best method for primary data collection. Moreover, previous studies amongst agencies within the TSI such as Peck and Theodore's (1998) study of hiring halls in Chicago, Ward's (2003a, 2005) study of TSAs across an assortment of sectors in Manchester and Forde's (2001) study of TSAs in Leeds and Telford, demonstrate the productivity of these types of interviews amongst agency

[14] The Nottingham postcode was used as the boundary area in the East Midlands. The Nottingham postcode includes all areas with a postcode beginning with 'N' which includes; Gratham, Mansfield, Newark, Nottingham, Sleaford, Southwell and Sutton-In-Ashfield.

owners. This is especially the case when trying to explore and understand trends which more quantitative methods have identified but not necessarily had the depth of information to explain, such as regional variations in the number and type of TSAs.

The pilot study consisted of eight telephone interviews and two face-to-face interviews with senior members of TSAs in Nottingham. Participating TSAs were chosen at random from the population of agencies. Individual participants were identified by presenting my interview questions over the phone or via email to consultants, the office manager or secretary (usually the first person who answered the phone) and asking who in the organisation would be able to answer such questions. I was often directed to the owner, Managing Director or a senior consultant. On three occasions I tried asking the questions to recruitment consultants but none of them were able to answer all the questions as such I was directed to talk to the owner of the company, branch manager or Managing Director. Consequently, I specifically targeted senior managers and owners (see Table 3.3) for the research due to the nature of the questions I wanted to ask. In many cases these related to business strategies, changes in industry trends and legislation and how this had affected their business, company turnover and history.

Table 3.3 Pilot Study Participants in Nottingham

Company	Recruitment sector	Participant	Method
National TSA	Industrial	Regional Manager	Telephone Interview
Local TSA	Industrial, driving	Owner	Telephone Interview
Local TSA	Catering, admin	Owner	Telephone Interview
Local TSA	Construction	Branch Manager	Telephone Interview
Local TSA	Driving	Owner	Telephone Interview
Regional TSA	Industrial, warehouse	Senior Consultant	Telephone Interview
Multinational TSA	Industrial	Branch Manager	Telephone Interview
Local TSA	Industrial, driving	Owner	Telephone Interview
Local TSA	Industrial, driving,	Owner	Face-to-face
Multinational TSA	Industrial, driving	Area Manager	Face-to-face

Source: Author

This research focuses on TSAs which recruit within the low-skilled light industrial and blue-collar sectors as well as those that recruit for driving sectors. The pilot study played an important role in determining the sectoral selection for this research. After speaking with TSAs in Nottingham it was evident that many of the industrial agencies also recruited temps for driving jobs such as van drivers, forklift truck, HGV and other vehicles. This was because these temps often had skills which meant they could work in low-skilled blue collar positions in the industrial and manufacturing sectors as well as some driving jobs, as such, temps which did driving jobs would also frequently take work in both sectors. In addition, the companies which required temps for low-skilled light industrial positions often had a need for drivers of various types. The pilot study revealed that it was very common to find industrial agencies that also recruited for driving jobs because their clients and temps had requirements for both occupations. Furthermore, the pilot study highlighted that the low-margin high-volume business model was particularly dominant within the light industrial sector in which it was common for client firms to request temporary workers for routine operative jobs in their hundreds for very short periods. Existing literature also suggests that blue collar occupations

generate the highest revenues within the UK's TSI (Ward, 2002a) with agency workers over-represented in these types of blue collar routine operative jobs in the light industrial and manufacturing sectors (Forde & Slater, 2005). The chaotic and unpredictable nature of recruitment in this sector – due to the volume of placements and the aggressive cost-centric focus – has particular effects on the role of different agencies in the local labour market, this is discussed in the following three chapters.

After conducting the pilot study I transcribed and coded the ten interviews and returned to some interviewees for clarification and follow up discussion. Upon reflection of this analysis I identified the three key themes which were used to develop the aims of the study (see p.13 of this thesis).

3.7 Pilot study findings

The aim of this research is to analyse the role of TSAs within the local labour market and establish how the activities and interactions between different agencies at a local level can influence their ability to drive market development and change employment norms (i.e. be market makers) or marginalise their activities. As such, I used the pilot study to test some of the notions of market making from the existing literature and explore some of the different ways that TSAs play an active role in labour markets at a local level.

Discussion of market making from the existing literature highlights how TSAs have become "more than a 'neutral' service industry, but rather... an active agent in the creation of temporary staffing markets" (Coe *et al.,* 2009a:58). There are certain actions or strategies used by agencies which accord TSAs with the title of 'market makers'. For example, multinational TSAs can influence policy and labour regulation through their lobbying power and financial influence (Peck *et al*., 2005). The largest TSAs are also able to capitalise on new and

emerging markets for temporary staffing (Ward, 2004) and work with the largest corporate clients to influence the social norms of employment and facilitate new kinds of intermediated employment practices (Peck *et al*., 2005). However, amongst this literature there is less consideration of how the local activities of agencies may reshape local temporary staffing markets. Indeed, the pilot study revealed that (perhaps unsurprisingly) the definitions of market making from much of the existing literature were less applicable at a local level, especially amongst smaller locally operated agencies. However, themes did emerge which suggested that there were other ways in which agencies could influence and reshape markets locally, these are discussed under the subheadings below.

3.7.1 The effect of local labour market characteristics

Throughout the pilot study I asked participants from TSAs why they had decided to start an agency in Nottingham. In the vast majority of cases participants cited reasons relating to their home life, where their family was and because they had always lived in the area. However, what was interesting was that many participants had made a conscious decision about the *specific* location of the agency which related to the particular geography and economy of Nottingham. In many cases participants had purposefully located in sites that temps could get to easily. In turn, this depended on the mobility of the labour that they were recruiting. In the case of low-skilled industrial and blue collar occupations temps tended to be employed on minimum-wage and as such the TSA had to be accessible by bus, or within walking distance of the city centre. It was evident when walking around the city centre that many of the largest national and multinational agencies had branches located there. Yet, in the case of the smaller single-site agencies that I interviewed they had avoided city centre locations because of the high rents, this was a common tactic used to reduce overheads. As a result it was possible to observe clusters of small single-site TSAs in industrial and business parks close to the city

centre, often with 2-4 agencies in the same office block. As such, the locational strategies of TSAs appeared to be connected to both the availability and characteristics of the labour pool from which they were recruiting and the geography/economy of the local area. The impact of local labour market characteristics on some of the other activities of TSAs was explored in greater depth in the final study and forms the main focus in Chapter Four.

3.7.2 Client relationships and contracts

The relationships between agencies and their client firms emerged as one of the most important issues for agencies operating in the local labour market. These relationships were important to agencies of all sizes. In some cases the pilot study indicated that agencies could secure business by developing strong relationships with their client firms. These relationships could be reinforced through service quality. However, there was often contradictory or confusing responses from agencies regarding what constituted 'good' service quality and this was followed up in the final study. Another interesting finding suggested that agencies preferred to work with different actors within the client firm namely line managers or HR. There were also issues relating to the development of relationships with different people within the client firm and these too were explored within the final study and form a major part of the research findings presented in Chapter Five.

Additionally, different types of formal and informal agreements between agencies and clients were repeatedly mentioned by recipients. Some of the most common included national agreements, master vendor agreements and neutral vendor agreements (these are discussed in greater depth in the following three chapters). Initially the intricacies of these agreements and their affect on the activities of agencies was confusing, but recipients consistently talked about the impact of these agreements and other contractual restrictions on their business and local client base and as such this was followed up in the final study. The pilot study revealed that in

many cases smaller agencies found it difficult to establish contractual agreements with their clients and complained of losing business to larger agencies that were able to secure large contracts and offer more competitive rates. Again, this was explored in the final study and forms a major part of the research findings in Chapters Five and Six.

3.7.3 Size

Another recurring theme which emerged from the pilot study was the importance of agency 'size'. In many cases it was difficult to get respondents to narrow down or define the parameters in which they determined the size of different agencies. Yet, all respondents considered the size of the TSA to be a significant factor on how they operated locally, the clients they worked with and what role they played within the local labour market. Respondents referred to different sized agencies as any of the following; 'the big boys', the 'nationals', 'the Manpowers of this world', the 'smaller agencies', 'Fred in the shed', 'the back street agencies', the 'regional agencies' and 'small local agencies'. In order to clarify and examine issues of agency size the final study considers quantitative indicators of size such as; agency turnover, number of branches, number of direct employees and number of temps as well as qualitative data from discussion with participants relating to agency size. I also reconsidered how agency size has been discussed within the existing literature. Many issues relating to the marginalisation of agencies appeared to be linked to the size of the agency and this was further explored in the final study and subsequently forms a key element of the discussion in Chapter Six.

Hence, the pilot study presented initial findings which suggested that locally, the activities of agencies were influenced by the geographic and economic characteristics of the local labour market, the relationships they developed with their client companies including different types of contractual agreements and the size of the agency. The final study developed these issues

through further interviews with agency managers and owners in Birmingham. Due to the importance placed on client firms in the pilot study, the final study also included interviews with clients of participating agencies (referred to as matched pair interviews) as well as industry experts from the TSI. In this way it was possible to pick up on issues which agency managers and owners may not be aware of and further understand the intricacies of client relationships alluded to in the pilot study.

Within this research the process of reflection as part of the methodological course was particularly important in developing research questions for the final study. As part of this reflection I cross referenced existing literature and new policy developments with the findings from the pilot which assisted in identifying the three themes which emerged. This meant that the research questions in the final study emanated from contemporary discourses in the industry as well as remaining in touch with and relevant to current policy issues and academic gaps within the field of study, this ensures that this thesis has maximum impact within policy spheres and academia. The reflection process also meant that my final project is "engaging, urgent and policy-relevant" (James, 2006:293) whilst, at its core, remains in touch with and reflective of the empirical data and real world discourses.

3.8 Final study: methods and techniques

The final study relied on three primary methods of data collection; i) 65 semi-structured interviews with agency managers and owners, industry experts and client firms, ii) participant observation at a client company and direct work experience in the industry, and iii) secondary data analysis primarily through internet forums frequented by agency owners, managers and recruitment consultants and industry analysis produced by the Staffing Industry Analysts (SIA).

The methods employed in this research mean that not only does this thesis make significant theoretical contributions to the literature on temporary staffing but it also provides new methodological techniques and rigorous empirical data. Previous studies (Peck & Theodore's, 1998; Ward, 2003a; Forde, 2001) on the TSI have tended to rely on a sample size of less than 20 TSAs whereas this research conducts interviews with 40 agencies[15] as well as 25 additional interviews with client firms and industry experts. Moreover, this research focuses on agencies which specialise within the same sector of recruitment – low-skilled industrial/blue collar and driving – whereas previous studies have interviewed TSAs across an assortment of sectors. As such, this research provides a unique insight not only into the TSI in a specific area but into the intricacies of a specific sector of the TSI. In this way the findings from this research can be considered particularly rigorous compared to existing research which has tended to cover agencies across multiple sectors, often including skilled and low-skilled occupations and therefore making it less clear how sector specific characteristics may affect the activates of agencies. Furthermore, my previous work experience within a TSA as well as the privileged access I was granted for participant observation, introduce new methodological techniques which have not been explored within existing research. The advantages of these are explored below.

3.8.1 Semi-structured interviews

Following the pilot study it was clear that although telephone interviews were a quick and relatively easy method of data collection, the two face-to-face interviews were longer, more informative and led to connections with other participants. As such, the majority of interviews in the final study were conducted face-to-face. However, due to access and time restrictions it

[15] In addition to the 40 agencies interviewed in the final study, there were 10 agencies in the pilot making the total number of participating agencies 50.

was necessary to conduct 18 of the 65 interviews over the phone. These were planned in advance and lasted on average 31 minutes. The other 47 face-to-face interviews lasted on average one hour and four minutes. I conducted 40 interviews with TSAs which specialised in light industrial/blue collar and/or driving recruitment, in all but two cases all of the participating agencies recruited across both sectors. I also conducted 13 interviews with users of agency labour; these were clients of participating agencies (a matched pair) and their details were volunteered by participants from TSAs. These clients were within the manufacturing, light industrial and logistics industries. The remaining 12 interviews were with industry experts within the recruitment industry (Interviewee details are provided in Appendix Two). These industry experts were approached because of their experience in the TSI, their senior role within an influential trade body (e.g. REC, ALP or Chamber of Commerce) and, in some cases, their specific knowledge of temporary staffing in Birmingham.

Interview participants were recruited first by contacting all 87 suitable agencies in the B-postcode area. This was a lengthy process but proved to be fruitful and this was how I organised the majority of my interviews. Initially it was particularly difficult to access senior managers and owners within the agencies. However, I developed a confident manner for bypassing secretaries and consultants. A strict call back system was used to ensure all TSAs were contacted a minimum of five times, after which time if a continued negative response was given that agency was ruled out of the study. Reasons for not participating commonly related to managers being unavailable, on holiday, not interested or too busy. These responses suggest there is unlikely to be any significant difference between TSAs that did participate in the study and those that did not. On some occasions it was possible to gain access to TSAs which had previously declined to participate via snowballing through other participants.

Senior managers within larger national and multinational TSAs were contacted via letter asking them to contact me as it was particularly difficult to access these people by calling the agency. The response rate for TSAs in the B-postcode area was just under 46%.[16] I also took advantage of snowball sampling especially regarding client firms and industry experts.

The pilot study demonstrated that semi-structured interviews were a suitably exploratory method. They allowed for a formal set of questions to drive the interview forward as well as allowing for the exploration of other issues should they arise. Therefore, issues could be raised by the interviewee which warranted elaboration or which would not have been asked by the interviewer under a more structured approach. The semi-structured interviews required skills that were developed throughout the pilot study such as preparing appropriately structured interviews and following up on different avenues of enquiry should they arise. Initially this proved difficult because respondents were often interviewed within strict time slots during working hours. The pilot study was particularly useful in this respect as it identified areas of initial interest which I could focus on in the interviews and quickly 'get to the point,' while semi-structured interviews still allowed respondents to raise new issues that had not been previously considered. Participant observation and work experience in the industry also helped to ensure interviews addressed issues which were relevant to the everyday activities of agencies.

3.8.2 Work experience and participant observation

Before embarking on this thesis I spent six months working in an independent TSA in East Yorkshire. The agency has two locations in Beverley and Scarborough and specialises in the

[16] This figure is calculated using the total number of low-skilled light industrial/blue collar and driving agencies in the B-postcode area (87) and the number of agencies that participated in the study (40).

placement of low-skilled temporary workers within the light industrial, blue-collar and driving sectors. During my time as a senior consultant[17] I was placing machine, warehouse and production operatives and forklift truck drivers. I was also directly involved in developing new clients, supplying existing clients, registering temporary workers and recruiting new temps. My experience in this position was invaluable throughout this research and significantly enhanced the validity of my data. Indeed, Ostrander (1995) states that developing strong background knowledge is essential when interviewing elites as demands on their time prohibit unfocused investigation. To be sure, working as a senior consultant in the TSI provided knowledge and experience of the industry that would have been difficult to develop through secondary data alone.

When I embarked on my pilot interviews I was familiar with how the TSI worked, what recruitment consultants within industrial agencies did on a day-to-day basis and how agencies operated. I was aware of the management structure, commission structure and typical issues which arose when working within an agency such as the poaching of temps by colleagues, glitches with databases, troublesome clients and unreliable temps. Few of these issues are discussed in any depth within the existing literature and without working in the industry it would have been difficult to understand how these things worked and their significance in respect of the activities of agencies. Moreover, having recruited temps for the light industrial and driving industry I was familiar with the technical terminology used by interview participants including vehicles types, job descriptions, production machinery and equipment. I was also aware of the necessary skills recruitment consultants required such as sales skills, a friendly and positive telephone manner and an understanding of the benefit system and

[17] Previous to this position I had worked for a year in IT and financial recruitment and human resources this explains my position as senior consultant as opposed to trainee consultant or junior consultant.

employment legislation. Additionally, I was familiar with the particular issues facing temps within low-skilled minimum wage occupations such as transport costs, benefit issues, injuries at work and unreliability, all of which frequently influenced my daily activities when working for an agency. Finally, my work with an agency developed my sales ability particularly over the telephone which I believe helped enormously when approaching participants and asking for interviews.

During the research I also conducted participant observation throughout an agency tender. This took place over the course of five hours at a large haulage company. The company has seven sites throughout the UK all of which use temporary agency labour for warehouse and drivers jobs. The tender process involved five TSAs from the West Midlands; individually they presented a 30 minute presentation to the client firm followed by 30 minutes of questions from the client. The process of agency tender provided a unique insight into the presentations given by TSAs when trying to win new business. In particular it highlighted what aspects of their service TSAs are particularly keen to sell to clients including their cost competitiveness and minimal margins, speed of service, compliance with new legislation and proximity to other client sites. The tender was organised by the HR director within the client firm and observations and data from this tender process were particularly enlightening regarding the priorities of these client stakeholders in agency selection. Moreover, because there were different client stakeholders present during this process, including the HR director and warehouse manager, it was possible to make direct comparisons regarding the priorities of these two actors and how this impacted on agency selection. These issues comprise a major finding of this research and are discussed in-depth in Chapter Five.

3.8.3 Industry output and recruitment forums

Throughout this research I consulted different types of secondary data, beyond the academic literature, in order to stay abreast of current industry trends, popular issues affecting TSAs and changes in industry regulation or compliance. One of the most useful was the Staffing Industry Analysis (SIA) reports. These reports consisted of daily news bulletins which included detailed industry research, news articles on industry trends, information on the TSI in different countries, company mergers, large corporate deals between agencies and clients, regulatory changes affecting the TSI and journalistic pieces on the activities of agencies and employers. In many interviews the SIA reports were useful in pre-empting what issues participants may talk about, in informing interview questions and in some cases providing detailed information on regulation in order to understand how it would impact the daily activities of TSAs. This was particularly useful during this research because the Agency Workers Regulations (AWR) were soon to come into force.

Finally, industry forums also made up an important element of this research and I visited these on a daily basis while conducting the research in the field. I discovered these forums through a participant in the pilot study that added me to the LinkedIn forum for Recruitment UK. Indeed, many of the forums I consulted were through LinkedIn and I had to develop a network of contacts on this networking site in order to be invited into these groups. Other forums I consulted included; UK Recruiter Forum, Birmingham (UK) Recruiters Network, Key Personnel HR Forum and Recruit eForum. The Birmingham (UK) Recruiters Network was particularly useful for staying abreast of developments in the local recruitment industry. I used these forums to pose questions that emerged during the research, to follow threads relating to issues that had arisen during my interviews and in some cases to approach potential participants.

3.9 Analysis of data

Towards the end of my time in the field and when I had finished my primary data collection[18] I transcribed all interview data and coded it. As interview transcripts comprised the majority of my empirical data it was important that the method used for interpreting and extracting meaning from this data was rigorous and transparent thus making my associated knowledge claims credible. A process of open coding, axial coding and iterative theory building was used to analyse my interview transcripts. This process draws on some of the techniques of grounded theory (Corbin & Strauss, 2008). This process was helpful because it allowed me to build and develop a theoretical analysis around what was most relevant and illuminative within the data allowing openness and flexibility in my approach (Charmaz, 2003).

First, open coding consisted of scrutinising all interview transcripts, line by line, in order to break up the data and produce concepts that fit the data, the idea being that conceptual implications will emerge which will later become themes. Axial coding was then used to put the data back together in new ways by making connections between these categories, integrating them and identifying the relationships between them. Finally, theoretical approaches were introduced which further developed and explained these themes. This was an iterative process, the aim was not to 'add up' the insights of the different transcripts but to combine them in the construction of empirically grounded theories which best explained the data. Preliminary theories were recorded as provisional concepts and theoretical memos throughout coding. The findings from this process and the rest of the empirical data are presented in the following three chapters.

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[18] Data collection continued intermittently throughout the write up process via forums, SIA reports and other secondary data such as newspaper articles, news clips etc.

3.10 Ethical considerations, positionality and limitations

Initial plans for this research project were submitted and passed by the University of Birmingham's Ethical Review Committee[19]. The initial research plan foresaw no major ethical problems with the research. However, there were obvious considerations such as the use of recording equipment during interviews and the associated permission from participants to use this. In the vast majority of cases participants were happy to be recorded and only two respondents requested that I left the Dictaphone turned off. All respondents from participating TSAs and client firms have remained anonymous throughout this thesis. In many cases I believe this reassurance of anonymity allowed participants to speak more openly about their activities as a senior manager or owner of an agency. Although some agency names are used throughout this research these are not linked to specific interview participants. This is particularly pertinent with regards to Figure 4.2 in which a number of local agencies are named. Yet, this Figure does not suggest that all or any of these agencies participated in the research; much of the information which comprises this Figure is gather from other participants not necessarily the agencies named. Additionally, although none of the industry experts that participated are named directly it may be possible to work out who a number of these people are by their job titles and company. In these cases I asked permission to include the descriptions used here and made it clear that I can't grant these people anonymity.

Further issues arose regarding the use of client names, many agencies were reluctant to talk explicitly about which clients they worked with or the large contracts they held. The TSI in Birmingham has a highly secretive and suspicious sensitivity (discussed further in Chapter Four) and this was palpably during many interviews. It was common for agencies to ask me

[19] For further information on the University of Birmingham's code of practice for research see: http://www.birmingham.ac.uk/Documents/university/legal/research.pdf

who else I had been talking to, what I thought of other agencies, to gossip about the activities of competitors and in many cases speak negatively about the reputation of competing agencies; needless to say I did not answer these questions or pass comment on other agencies. Furthermore, after being in the field for roughly a month word had 'got around' that I was doing research on TSAs within the industrial and driving sectors in Birmingham and I began to approach agencies and clients that already knew who I was. In some cases this made participants more willing to talk to me, but occasionally meant that agencies would try and extract information from me regarding other participants. This could become particularly awkward if agencies or clients bad mouthed one another, especially if it was a matched pair interview. In these situations it was necessary to be neutral and polite without incriminating client or agency. Indeed, the interrelated nature of agencies and clients and the feeling of suspicion, secrecy and fierce competition amongst the TSI in Birmingham made it necessary to be tactful and professional throughout the interview process, this was especially important as the research progressed and I gathered more data and visited more agencies.

Although it may appear that one limitation of this research relates to the use of only one case study I would argue that in fact a single case study was the best way for this project (with limited time and funding) to explore the research question. It may be argued that the case study method provides little basis for scientific generalisation. In response to this it is important to remember that this research is not trying to make generalisations regarding populations or universes but rather is making an 'analytical generalisation' (as opposed to a 'statistical generalisation') meaning that theoretical propositions can be drawn from the research which will be used to expand and generalise theories not enumerate frequencies (Yin, 2009).

Other limitations to this research relate to the inclusion of certain agencies in the sample of participants. It may be possible that some very small agencies, possibly run from private homes that do not have an internet or high street presence, may have been missed from the initial list of suitable agencies in the B-postcode area. However, additional efforts were made to include these agencies in the study through snowball sampling, additional consideration of The Phone Book and local directories as well as examining the Association of Labour Provider's (ASL) handbook which has a list of all small registered labour providers and gangmasters in the West Midlands region. Moreover, because agencies rely on recruiting temporary workers and advertising available jobs there is need for them to be relatively visible to temporary workers. Thus, it is unlikely that any operating agency would be missed from this study considering the range of sources used to identify different agencies.

The decision not to analyse the effect of job boards on the role of TSAs in this study was taken for a number of reasons. Job boards have become increasingly popular amongst job seekers as a method to find available jobs. They advertise many of the jobs held by agencies but, they can also include jobs advertised directly by the employer. Examples of popular job boards include; 'Monster', 'jobsite', 'Indeed', 'theitjobboard' and 'alljobsuk'. Employment agencies can also subscribe to job boards and search through uploaded CVs from job seekers. Job boards were discussed in a small number of interviews and on recruitment forums, two key issues arose relating to their impact on the recruitment industry. First, discussion on forums complained that job boards create 'lazy' recruitment consultants that trawl job board applications instead of finding suitable candidates through more innovative methods. Second, job boards allow candidates to submit their CV for any advertised role which, consultants complain increases the amount of unsuitable candidates that the agency has to filter. In both cases these issues typically affect more skilled roles and executive search agencies. There was

little evidence of how job boards affected the activities of light industrial and driving agencies locally and as such they receive less attention in this research.

Certain types of agencies rely heavily on the use of job boards as a primary method of recruitment. These agencies operate differently to the agencies in this study. In particular, they have a limited number of manned offices but recruit for positions nationwide via the internet. These types of employment agencies are prevalent amongst the catering, fundraising and market research sectors, for example 'caterer.com', 'Wesser', 'choozz', 'Panel Base' and 'Survey Head' all advertise entry level jobs in these sectors online across the UK. This internet-heavy recruitment can also be targeted towards certain groups of workers. For example, 'e4s', 'justjobs4students', 'student-jobs' and 'student gems' all advertise part-time temporary (often low-skilled) work for students online. Due to the difficulty in actually contacting a 'real life' consultant via these sites, and because it was impossible to find out where, or if, they had a local branch these online agencies were not included in the final study. Moreover, there was little evidence of their involvement in the industrial or driving sectors and none of the clients I spoke to use these types of agencies. Nonetheless, there is room in future research for a greater consideration of job boards and what role these virtual intermediaries and online spaces are playing in the labour market.

Finally, although this research focuses on the activities of agencies at a local level and the role of agencies within the local labour market, it does acknowledge that scales such as the local, national and international are not neatly divided into separate decision making levels which exist independently of each other. Instead, they can both be relational and territorial, and coexist with indistinct, intangible and overlapping boundaries, responsibilities, and capacities. It is for these reasons that this thesis does not discount previous research which explores the

national and international patterns and particularities of the TSI but instead will build on previous research to further the analysis and understanding of the TSI locally.

3.11 Conclusion

This chapter has discussed and justified the methods used in this research. It explored why a case study approach is the best approach for understanding the role of TSAs in the local labour market because this real-life phenomenon is encompassed by the understanding of contextual conditions and the boundaries between this phenomenon and its context are not clearly evident (Yin, 2009). It has demonstrated why Birmingham presents the most appropriate case study area in which to examine the activities of light industrial and driving agencies. This is due to the high number of temporary employment agencies (N78.20), the fact that it is very 'temped out' and the availability of access to interview participants. Moreover, Birmingham's economic and sectoral breakdown means that there is a high proportion of light industrial/blue collar and driving agencies in the area which rely most heavily on the low-margin high-volume business strategy which this research focuses on.

The chapter has also discussed how the pilot study in Nottingham significantly improved the quality and robustness of the final research project. It did this by informing interview questions, improving interview techniques and ironing out glitches in research methods. In addition, it identified important themes including, the effect of local economic and geographic characteristics on the activities of TSAs, the importance of client relationships and the impact of size on the activities of TSAs. These themes informed the aims of this thesis and subsequently contribute to the key areas of discussion in the following empirical chapters.

The chapter also outlined the methods used in the final study. It demonstrated that my previous experience as a recruitment consultant helped immensely in informing the research

and improving my abilities as a researcher and interviewer. Additionally, the use of novel techniques (amongst research on the TSI) such as following discussion in internet forums, matched pair interviews between clients and agencies and participant observation in an agency tender all add validity and worth to this study as a novel approach to research on TSAs. Attempts to accurately map the distribution of TSAs in the West Midlands and collate data relating to the proportion of agencies in the labour market was particularly difficult in an industry where the "defiance of accurate quantitative description is an industry characteristic" (Peck & Theodore, 2001:474). Moreover, the fluidity and turbulence of the TSI can make accurate and recent data particularly hard to come by. Nonetheless, the methods used here to map TSAs, measure the most 'temped out' locations and calculate the number of suitable TSAs in the case study area are supplemented and enhanced by the range of different qualitative methods used.

In the following chapters (Four, Five and Six) the three key themes developed in relation to gaps in the existing literature and the pilot study and are used to frame the discussion and are explored in much greater depth through findings from the final study. In the next chapter I begin by examining Birmingham's labour market and the impact of local economic and geographic characteristics on the evolution of the TSI in the city, the locational strategies of TSAs in and around the city and how this has affected the activities of agencies, especially with regards to the spread of industry knowledge.

4 CHAPTER FOUR

Birmingham's Temporary Staffing Industry

4.1 Introduction

The following three chapters (Four, Five and Six) present and discuss the empirical data from interviews, participant observation and industry output collected throughout the course of this research. This chapter describes Birmingham's TSI in the context of Birmingham's and the West Midland's industrial history and current labour market, it also considers how and why Birmingham's TSI differs from other cities. This chapter highlights how the TSI in Birmingham has developed in the last forty years and what influences have shaped the current temporary staffing market not only in terms of how many and of what type of TSAs there are in the city but how their locational strategies, the spread of industry knowledge and the daily operations of agencies can depend on the old and new economies of the city. As such, the chapter argues that the specific characteristics of Birmingham's TSI create a temporary staffing market which facilitates the market making or marginalisation of different agencies within the local labour market. Chapters Five and Six then explore specific parts of the recruitment process which may be altered or reshaped because of local variations in the TSI.

Chapter Five considers the demand side of the recruitment process and analyses the relationships which develop between TSAs and their client companies. It argues that the increasing role of HR and procurement departments (centralisation) in agency selection has overruled the priorities of local line managers and, in some cases, severed existing local relationships. Moreover, the growing number and type of contractual agreements such as master and neutral vendors has had a significant impact on the market making or marginalisation of certain agencies within the local labour market. Chapter Five argues that in

Birmingham parts of the recruitment process have been altered and this is having an impact on the role of different agencies within the local labour market. Chapter Six then analyses the supply side of the recruitment process and focuses on how the size of different agencies affects their role in the local labour market. It addresses gaps within the existing literature which may not allow for certain characteristics of size amongst TSA such as management structure, consultant autonomy, service quality, infrastructure and branch networks. The Chapter argues that these variations in different sized agencies can influence the market making or marginalisation of agencies within the local labour market.

This chapter is designed to open up Birmingham's TSI, to highlight the key characteristics of its labour market and how these have affected the activities of TSAs in the city. Section 4.2 takes a closer look at the available (but limited) data on the TSI in the Midlands in order to outline where Birmingham fits within a wider regional context. Section 4.3 discusses the existing research on TSIs in different cities in order to compare and contrast the TSI in Birmingham with those in other areas. I then discuss Birmingham's labour market (4.4) and the distinct characteristics which have influenced the TSI in the city. I offer an overview of what Birmingham's TSI looks like (4.5) and how the specific characteristics of Birmingham's labour market have shaped its TSI. As such, I go on to discuss how the evolution of Birmingham's TSI (4.6), the spatial strategies of TSAs (4.7) and spread of industry knowledge within Birmingham's TSI (4.8) have all been influenced by the specific characteristics of the city's old and new geography and economy. Finally, in section 4.9 I discuss how the basic process of temporary recruitment takes place and identify what parts of this process the existing literature has examined and where my research contributes to our knowledge of certain parts of this process which have been less well studied.

4.2 Temporary staffing in the Midlands

In 2006 the REC conducted a Recruitment Industry Census covering 4,529 agencies in the UK, offering the first detailed analysis of the recruitment industry in different regions. Here I focus on the Midlands region[20] in order to provide context for Birmingham's TSI and any unique or particular trends or characteristics which may in turn affect the operation of the city's TSI.

The REC Census identified that 64% of agencies in the Midlands were single-site businesses, 11% are head offices and 25% were part of a larger network.[21] This reflects the UKs TSI more broadly and highlights the large proportion of small independent agencies in the market place. The Census also identified that within the Midlands there are a higher percentage of agencies that employ 2-5 people (57%) compared to the national average (52%) and only 12% of agencies employed over 11 people compared with the national average of 16%. This demonstrates that within the Midlands there is a larger proportion of small (single-site) agencies (with between 2-5 employees) compared to the rest of the country.

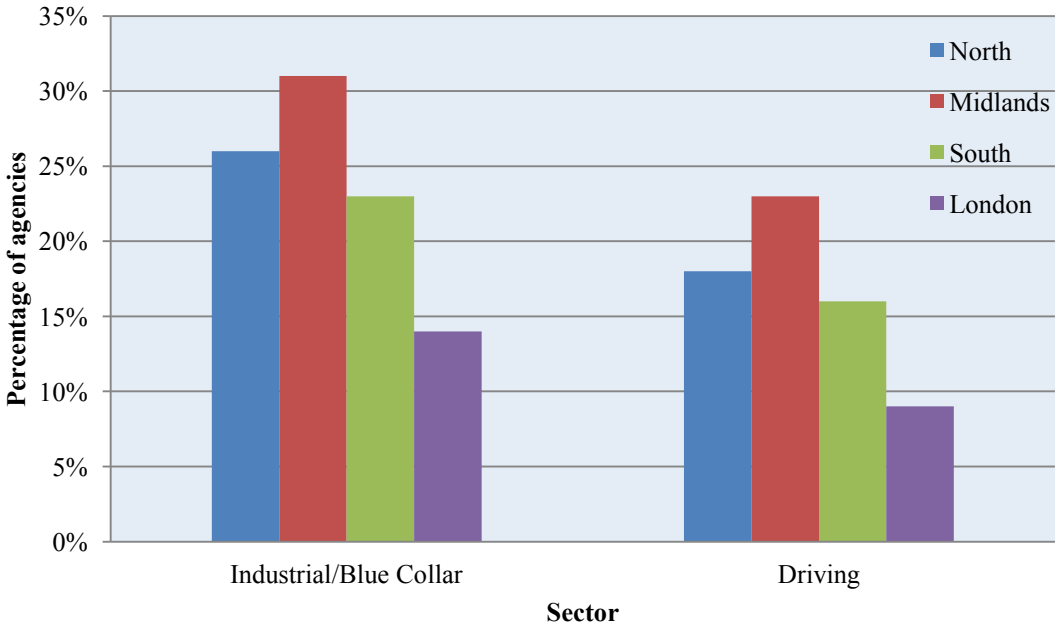
The Census revealed that the Midland's TSI is also quite different from the national average regarding the sectors covered by agencies. In this region agencies are more active in certain occupational sectors than the national average including, secretarial/clerical, customer service, industrial/blue collar, technical/engineering, driving, construction and agriculture. Within the Midlands 31% of agencies recruit and place workers in the industrial/blue collar sector

[20] For the Census the REC included Wales, the West Midlands, the East Midlands, and East of England under 'the Midlands' heading. This presents obvious methodological issues considering the differences in sectoral breakdown, regulation and economic conditions in these different areas. Nonetheless, the REC provides the only comprehensive review of regional variations amongst the TSI in the UK and is used here to highlight trends in regional differences as opposed to specific regional comparisons.

[21] In this instance the REC describes single-site agencies as those which consist of just one office, head offices are the main offices for agencies with more than one office. Being part of a larger network refers to an agency office which is incorporated into a larger branch network but is not the head office of that agency.

compared with the national average of 24%. Moreover, 23% of agencies in the Midlands recruit for driving occupations compared with only 17% nationally. Of the four areas covered in the Census the Midlands has the highest percentage of agencies for industrial/blue collar and driving sectors (see Figure 4.1).

Figure 4.1 The Distribution of Industrial/Blue Collar and Driving Agencies in Four Regions



Source: Author, adapted from REC (2006)

Overall, the REC Census shows that within the Midlands there is an above average number of industrial/blue collar and driving agencies and agencies within this region tend to be small single-site with 2-5 employees. These differences in sectoral coverage reflect businesses in the Midlands in which there remains a strong manufacturing/industrial base as well as distribution and warehousing. Perhaps more importantly what the REC 2006 census highlights is that different regions (even very broadly defined) within the UK display differences in their temporary staffing markets, in this case related to the size and sectoral breakdown of agencies. Yet, the REC provides little, if any, consideration of the ways in which these differences may affect or impact the operation of TSAs in different regions. Moreover, despite the importance of the UKs largest cities as sites for growth in the TSI

(Ward, 2002a), there are few studies which have examined local variations in the TSI and the activities of TSAs in individual cities. The pocket of research which does analyse the TSI in different cities is briefly analysed below to highlight specific locational characteristics or influences which impact the operation of temporary staffing markets in different places. I then consider how these studies can inform our understanding of the TSI in Birmingham and how it operates.

4.3 The temporary staffing industry in different cities

Ward (2005, 2003a) states that in 2003 Manchester was the UKs most 'temped out' city with more agencies per head of the working population than any other area. In his research Ward examines agencies across a wide range of sectors including healthcare, call centres, legal and transport.[22] Ward (2005, 2003a) identifies the concerted efforts made by institutions, enterprises and local government bodies within Manchester to "mak[e] way for an economy based around knowledge, new ideas, expertise and entrepreneurialism" (Ward, 2005:230) as such, through the 1990s Manchester's political and economic leaders worked to change the "failing industrial city" from the mainstay industries of manufacturing and mass production to a centre of "entrepreneurial urbanism". Thus, the spotlight fell on Manchester's TSI to introduce and provide a "new type of flexible employment relationship to replace the traditional post-Second World War type that had dominated the older industrial economies" (Glancey, 2001 in Ward, 2003a:11). Ward (2003a:13) argues that TSAs have "mov[ed] into the gaps created through the entrepreneurial policies pursued so vigorously in Manchester". This, in turn, has created a TSI in Manchester with a high proportion of clerical/secretarial,

[22] Because Ward examines a range of agencies in different sectors comparisons between his research and the research in Birmingham (which focuses specifically on industrial and driving agencies) must be mindful of the differences in business models and strategies between agencies operating in different sectors (see Peck *et al.*, 2005; Ward, 2004).

law and accountancy agencies in the city centre while light industrial and distribution/logistics agencies have been pushed out to the city limits. These light industrial and distribution/logistics agencies now cluster in the large industrial parks which surround Manchester such as Trafford Park and the older industrial estates established in the 1960s (Ward, 2005, 2003a). Ward notes that the location of industrial agencies close to their client companies in the industrial parks as opposed to the city centre can be a strategy adopted by agencies to prevent temps "walk[ing] across the street" and "mov[ing] from one agency to another" as is common amongst agencies in the city centre (Ward, 2005:231).

The agglomeration strategies of TSAs are also noted by Peck and Theodore (1998, 2001) in their study of Chicago's Hiring Halls. Here they argue that instead of amassing on the outskirts of the city, industrial TSAs are actively locating close to pools of contingent labour within the city. They use this agglomeration of agencies proximate to low-income Latino and African American neighbourhoods or around homeless shelters and welfare offices (Theodore, 2000) to demonstrate the reliance of smaller back-street agencies or Hiring Halls on under-employed contingent labour pools. They note that increasing inner city unemployment (enhanced by the movement of large industrial companies to the suburbs of the city) has created a growth boom in temporary help firms which have flooded the inner-city areas eager to take advantage of the under-utilized labour pools. As such, the success of the TSI in Chicago (which in the late 1990s was the fastest growing industry in the metropolitan economy) was due to the abundance of cheap, flexible and most importantly *available* labour with limited opportunities for training or work and as such willing (or with little choice) to do temporary agency work.

Gottfried and Fasenfest (2001:5) reinforce Peck and Theodore's argument and say that "[t]he temporary employment industry is ever in search of large pools of workers with weak

attachments to the labor force and in need of any employment". As such, we can presume that areas of high unemployment will attract TSAs. Moreover, according to Peck and Theodore we can assume that TSAs within cities with high unemployment will amass around areas of 'suitable' labour whether this is segregated along racial or economic lines. Further to this Gottfried and Fasenfest (2001:5) argue that the need to locate close to pools of available labour can be exacerbated in areas with "no significant mass transport system linking workers inside the city with jobs outside the city" and as such, "the restricted access to jobs puts the contingent geographies of temporary employment in sharper relief".

The research in Manchester, Chicago and Detroit (Gottfried and Fasenfest's research took place in Detroit) demonstrates that *TSAs are sensitive to the micro-geography of different areas and different spatial factors can influence where TSAs locate*. In Manchester we see industrial agencies pushed to the outskirts of the city due to the reemphasis on entrepreneurial urbanism and knowledge based jobs. In contrast, in Chicago and Detroit we see a clustering of light industrial agencies in the city centre around certain neighbourhoods and pools of labour. As such, we can deduce that the location of certain agencies can be determined by the historical composition of the local labour force. Gottfried and Fasenfest (2001) argue that areas no longer capable of sustaining manufacturing jobs can become repositories for temporary workers in light industrial jobs and in this way the location of TSAs can reflect the past skill and occupational composition of an area. Furthermore, the economic and occupational history of an area can determine where and how agencies in that area operate.

As well as these spatial factors Forde (2001) notes that in Leeds and Telford there are non-spatial influences which can shape the TSI. At the time of Forde's study (1996-1997) both Leeds and Telford represented areas with high levels of manufacturing and had seen the rapid growth of TSAs in the area. As such, the agencies that Forde studied in Telford supplied

between 50-90% of their workers in the manufacturing sector while participating agencies in Leeds focused on commercial work in business services, retail and call centres. Forde (2001) notes the competition, uncertainty and risk associated with the supply of low-skilled temporary staffing and the highly cost sensitive nature of the high-volume low-margin strategy. This, he argues, put pressure on agencies in Leeds and Telford to develop strategies which aim to "reinforce, regulate and facilitate employer's use of temporary labour" (Forde, 2001:9). He argues that agencies use different strategies to do this such as offering an increasingly individualised service, supplying regular or repeat workers and developing mechanisms which formalise the screening of direct or permanent workers e.g. temp-to-perm initiatives. Forde (2001) notes that the characteristics of the sectors that these agencies occupy (light industrial/manufacturing, low-skilled retail and call centre work) required TSAs in Leeds and Telford to develop strategies to secure client business. As such, not only do the locational strategies and tactics of TSAs reflect the "past skill and occupational composition" (Gottfried & Fasenfest, 2001:15) of the area but *the current sectoral breakdown of the city or region can also influence both spatial and economic strategies of TSAs*.

From these past studies on the TSI in different cities we learn that the activities of TSAs as well as their locational decisions are "contingent on geographies of old and new economies" (Gottfried & Fasenfest, 2001:15). But in turn, the activities of agencies shape the current labour market of urban areas. As such, I now consider Birmingham's labour market and how its economic and geographic characteristics have shaped the TSI in the city and influenced the operational practices, locational strategies and spread of industry knowledge amongst agencies. In particular, the continued importance of manufacturing jobs in Birmingham, the inherent levels of unemployment, the increasing skills shortage amongst the working population and the adoption of non-standard employment contracts by firms has facilitated a

TSI with above average numbers of industrial and driving agencies, a mass of small independent agencies, inherent and fierce competition over volume contracts and falling margins and minimal distance between agencies within the saturated B-postcode area. Below I discuss these characteristics of Birmingham's TSI in more depth and their effect on how the industry has developed and how agencies within Birmingham operate.

4.4 Birmingham's labour market

The sectoral breakdown and past skill and occupational composition of Birmingham has centred around manufacturing and today "the West Midlands is still the most industrialised region in the UK with significant manufacturing activity in car and automotive components, engineering, metal processing and manufacture, ceramics, brewing and the making of carpets" (Taylor & Bryson, 2010:188). In areas such as Birmingham, the Black County, North Staffordshire, Stoke on Trent and Coventry businesses in these industries are still major employers (Taylor & Bryson, 2010). Furthermore, the position of places such as Stoke on Trent, Birmingham, and the Black Country at the hub of the country's motorway and rail system means the logistics sector is also an expanding employer. Although Birmingham has made major investment into attracting professional, knowledge-based and service sector jobs in the last decade – and professional services now contribute a major part of the region's economy – "the region's economic structure is still dominated by manufacturing" (Taylor & Bryson, 2010:187; Bryson & Taylor, 2006). The importance of the manufacturing and distribution sectors in the West Midlands is reflected in the REC 2006 Census which demonstrates that in the Midlands there is still a strong hold of agencies – in much higher proportions than the national average – that specialise in industrial/blue collar and driving recruitment (REC, 2006).

Moreover, within Birmingham there have been local government initiatives, such as the Employment Access Team, which are dedicated to encouraging inward investment that will employ lower skilled workers from areas of high unemployment in the city. These types of projects incorporate initiatives such as the new Tesco Superstore in Aston (250 jobs), the development of the Library of Birmingham Project, New Street Station renovation (500 jobs), Birmingham Municipal Housing Trust and East End Foods (85 jobs) all of which have targeted low-skilled and unemployed workers for blue collar jobs (Blackaby, 2010). Moreover, key exhibition and conference centres in Birmingham such as the NEC and NIA as well as Birmingham International Airport provide temporary jobs to a large proportion of the population (NOMIS, 2011).

Nonetheless, unemployment rates in Birmingham are the highest in the country (ONS, 2012 cited in The Guardian, 2012). There is a huge surplus of available labour in the city much of which is low-skilled or unskilled. This is due, in part, to skill deficiencies in the Black Country and Birmingham amongst the working age population and the underinvestment in skills and on the job training by increasingly pressurised local businesses trying to compete within globally oriented supply chains (Bryson & Taylor, 2006). The skills shortage is compounded by years of over reliance by firms on the existing skills base in the region leaving many young or new labour market entrants without the skills of their predecessors (Taylor & Bryson, 2010).

As production, manufacturing and light industrial businesses within the West Midlands compete within increasingly global supply chains firms must find innovative ways to react to fluctuations in product demand and enhance the resilience of their business. Therefore, the increasing array of employment contracts offered to firms by TSAs allow companies to quickly adjust their work force in line with demand via unrestrictive hiring and firing

practices and non-standard employment arrangements. In Birmingham this has meant that many of the already contingent labour force have little choice but to accept temporary agency work as a means of employment. The impact of TSAs on the availability of permanent jobs is difficult to assess, what is clear is that temporary agency employment is increasing (CIETT, 2012), but we do not know if this is at the expense of permanent jobs.

In a similar way to Chicago in the late 1990s, Birmingham displays many of the necessary characteristics for a thriving TSI; a large labour pool of low-skilled or unskilled workers with little attachment to the labour market and willing (or with little choice) to accept temporary agency work. Moreover, due to the prevalence of low-skilled, industrial, driving and other blue collar jobs in the West Midlands we can expect Birmingham's TSI to differ from that of Manchester (and other strong knowledge based economies such as London) due to a higher proportion of agencies that specialise in these sectors and the specific characteristics and inherent competition which underpins the high-volume low-margin strategies of these types of agencies (Peck & Theodore, 1998). This differs from the low-volume high-margin business model of TSAs recruiting for more skilled positions in clerical, admin, IT, accountancy and law firms such as those that Ward (2005, 2003a) highlights in Manchester. Coupled with the social relations, interactions and networks which underpin the industry, these factors go to form a highly complex and volatile market for Birmingham's TSI which is discussed below.

4.5 What does Birmingham's temporary staffing industry look like?

In 2002 Ward produced an overview of Birmingham's TSI as part of a working brief for the Geographies of Temporary Staffing Unit (GOTSU) at Manchester University; this remains one of the only overviews of the TSI in the city. Ward's (2002b) short report included the forty wards within the Birmingham district boundary as well as the surrounding area of the

Birmingham conurbation.[23] He notes that the growth of TSAs in the UK has been most pronounced in some of England's largest cities and Birmingham is no exception. Between 1971 and 2001 the number of TSAs in Birmingham increased by 388%, a rise from 60 to 293[24] agencies in thirty years (Ward, 2003a, 2002b). This means there was one TSA for every 1,509 workers in Birmingham in 2001 (Ward, 2003a, 2002b). However, this report is not detailed and provides no information on how the characteristics of Birmingham's TSI are actually impacting the activities of agencies in and around the city. Using the FAME and Yell.com database as well as observations within the city and surrounding areas my research identified 327[25] agencies in the Birmingham postcode area in 2011. From this research it was also evident that Birmingham is comprised of a mix of many small local agencies as well as regional and national TSAs and branches of all of the largest multinational agencies including Manpower, Kelly Services, Randstad and Adecco.

Initial investigation into the case study area identified 87 light industrial/blue collar and driving TSAs in the B-postcode area, this accounts for 26.6% of all agencies within this area (see p.87 of this thesis). This figure sits between the Midlands average for industrial and driving agencies presented in the REC Census but is still above the national average on both accounts. Moreover, I found that many generalist recruiters in Birmingham also supply industrial and driving sectors on an *ad hoc* basis thus the 26.6% could be considerably higher

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[23] The exact limits of the study area (described as "Birmingham") are unclear from the data presented (see Ward, 2003a, 2002b)

[24] Ward has generated these figures through analysis of the British Telecom Yellow Pages which raises obvious questions regarding definition of TSAs and the limitations relating to agencies which are not listed within the directory, which often includes those smaller, single-site agencies. Nonetheless, the data presented by Ward is a welcome and rare attempt to measure the extent of TSAs in different regions.

[25] This total number of agencies is made up from 420 agencies identified from the FAME database using SIC (2007) Code N78.20 (temporary employment agency) plus 25 additional agencies identified via the Yell.com database (445) minus 118 agencies which, through further internet and telephone research I identified as no longer operating or duplicate entries (see Chapter Three).

if these agencies were included. Of these industrial/blue collar and driving agencies I found that 56.3% were single-site agencies while 44.6% were part of a larger branch network.[26] From this we can see that Birmingham has a higher than average amount of industrial/blue collar and driving agencies and the TSI comprises of a large proportion of small sing-site agencies. This quantitative data can only tell us so much about what the TSI in Birmingham looks like. The rest of this chapter uses qualitative data collected from interviews and participant observation to analyse how the TSI in Birmingham functions and in what ways its old and new economies have created a TSI with specific characteristics relating to the evolution of the TSI, the locational strategies of TSAs, the spread of industry knowledge and the protectionist and secretive attitude of agencies. In this way the TSI in Birmingham displays characteristics which have not been discussed in studies of the TSI in other cities.

4.6 The evolution of Birmingham's temporary staffing industry

This preliminary description of the number and type of agencies in Birmingham suggests that the relatively high percentage of industrial/blue collar and driving agencies will create a TSI with a strong focus on a low-margin high-volume business and a reliance on pools of low-skilled contingent labour prevalent in the city. But, this tells us little about how the TSI in Birmingham has developed over time. Throughout my research I was able to construct a history of Birmingham's TSI and how its evolution had influenced the role of different agencies in the city today. Understanding the industry's evolution was essential in explaining the contemporary TSI in Birmingham and how it has been shaped by the relationships and connections between agencies and individuals within the local area. The evolution of the

[26] These figures suggest that Birmingham has a lower percentage of single-site agencies than the Midlands average (64%) (REC, 2006). However, in reality this figure is problematic because of the methodological issues associated with measuring the number of TSA offices in one area as discussed in Chapter Three (p.81).

industry highlighted why certain agencies were widely disliked amongst participants (some of them even had well known nicknames), who the 'good' guys and 'bad' guys were, why certain agencies would work with some competitors and not others, who were seen as the 'top dogs' and why certain local/regional agencies were perceived as greater competition than the multinationals. In this way, the role of different agencies in the local labour market and whether they were market makers or marginal players depended, in part, on how the TSI had developed.

Many of the larger multinational agencies moved into the UKs largest cities in the early to mid 1970s (Ward, 2004). Following this the number of small domestic agencies began to increase and burgeoned significantly in the late 1980s to 1990s. At this time (1980s-1990s) in Birmingham two growing regional agencies – Network Midlands (later SMS) and Midlands Personnel (later First Personnel) – began to develop a significant presence in the local industrial/blue collar temporary staffing market. As they grew, these two agencies played a key role in the development of the TSI in Birmingham. Not only were they seen as having a "strong presence in the Midlands" (Interview 65), but it was at one of these two agencies that many of my participants began their career, got trained in recruitment or went on to start their own agency. Indeed, Network Midlands and Midlands Personnel appear to be the seedbed for many of the smaller independent agencies which exist in Birmingham today, as these participants explain:

> Most people that own an agency in Birmingham all came from the same place to start off with; Midlands Personnel, which turned into First Personnel which is still going now (Interview six, Regional Consultant, single-site agency).

> I started with a company called Network Midlands, they are closed now, I worked with Paul[27] [local agency owner] (Interview 20, Regional Director, large regional agency).

> I ended up in recruitment by accident, I responded to an ad for an interviewer/sales person with transport knowledge in 1998 ... got the job and progressed through the ranks with a family run agency ... called Network Midlands (Interview 22, Owner, single-site).

In the late 1990s to 2000s a number of acquisitions by other growing regional agencies such as Pertemps and The Best Connection began to reshape Birmingham's TSI again. Network Midlands (now SMS) was bought by The Best Connection which was founded in Birmingham in 1991 by two local accountants. Today it is the largest supplier for temporary drivers and the fourth largest industrial provider in the country. Unsurprisingly, its stronghold over the West Midland's market is significant and participants frequently cited it as one of the biggest competitors in the region. In the mid 2000s the rising presence of The Best Connection in Birmingham began to spark a new dynamic within the local industry and the acquisition of smaller family run businesses by The Best Connection acted as a catalyst for some consultants to start their own agencies, for example:

> Network [Midlands] was a great company, it was a family run business, it got bought out by a company called SMS, which were another nice company to work for, much larger, and then unfortunately we got bought out by The Best Connection just up the road and not a lot of people wanted to work for Best Connection. ...there was probably about 100 consultants and about 10 of them stopped [remained] at Best Connection everyone else dispersed, a lot branched out on their own. ... I opened up in competition and took all their business off them (Interview 20, Regional Director, large regional agency).

> We were with them [SMS] for one year exactly, 2005-2006, and we had a call one afternoon to say SMS had been sold ... it was our biggest competitor, Best Connection, a

[27] The name of this agency owner ('Paul') has been changed to protect the identity of this person who was also a participant in the research.

> big buy out, and that was the start of the end for many people (Interview 22, Owner, single-site).

> You have First Personnel and then you have got Best Connection a lot of people started there and do that in the Midlands (Interview 61, CEO, de Poel).

During this time (mid-2000s) Pertemps – today a well-known national agency which was also founded in the West Midlands – had also established itself as a formidable contender in industrial recruitment in the West Midlands region:

> Pertemps back then [late 1990s] was very much a Midlands based business, the core branches were Birmingham, Wolverhampton, Coventry and West Bromwich. ...the company took advantage of and rewarded good staff ... that meant Pertemps were the employer of choice. ... [Pertemps] got the good people and over the following ten years grew from £25 million turnover to £250 million (Interview 36, MD, large national agency).

In the early 1990s Blue Arrow had also become well established as a UK industrial, catering and driving agency founded in Luton. Although not a Midlands based agency the founder of Blue Arrow, Tony Berry, worked closely with the owner of Network Midlands. Blue Arrow gradually developed a strong presence in industrial/blue collar and driving recruitment in the West Midlands. Around this time Midlands Personnel changed its name to First Personnel which is still a key player and competitor in industrial recruitment, but remains (by design) a regional agency focusing on the East and West Midlands and only opening new branches within these regions.

At the time of this research, there were four agencies in Birmingham that were perceived to dominate the industrial and driving market, all of these were non-multinational agencies and three of them were founded in Birmingham, together they included; The Best Connection, First Personnel, Pertemps and Blue Arrow. This research revealed that many of the smaller

independent agencies that I interviewed (participants also cited other agencies which were not interviewed) were established by people who started their careers at these four key agencies. Moreover, many of the senior managers within these four key regional agencies had been poached or recruited from another one of the 'big four'. As such, the regional dominance of these four agencies then gave rise to a new wave of smaller, local independent agencies throughout the late 1990s to present. For example:

> If you look at seven or eight of the senior staff at Pertemps three of the directors came from Best Connection, AM2PM [large regional agency] the owner of that is from Midlands Personnel, virtually every small agency that has set up in Birmingham has come from that company [Midlands Personnel] in some capacity. It's very incestuous; everybody knows each other (Interview 37, Owner, single-site agency).

Data that could be used to determine the percentage market share in Birmingham of these four agencies is not available; however, it was possible to discern from interviews that these agencies were viewed as the key players in the local area. For example, when asked about which agencies they thought were their biggest competitors The Best Connection, Pertemps, Blue Arrow and First Personnel featured amongst the four most commonly named agencies.[28] The average participant named 3.4 agencies when listing who their biggest competitors were. The Best Connection was named by 13 of the 24 respondents, while nine agencies cited Pertemps and seven and five agencies sighted Blue Arrow and First Personnel respectively. This far outweighed the other agencies which were cited on average by 1-3 respondents.

This is particularly enlightening when considering how Birmingham's TSI may differ from other regional TSIs because the three largest multinational agencies in the city – Adecco,

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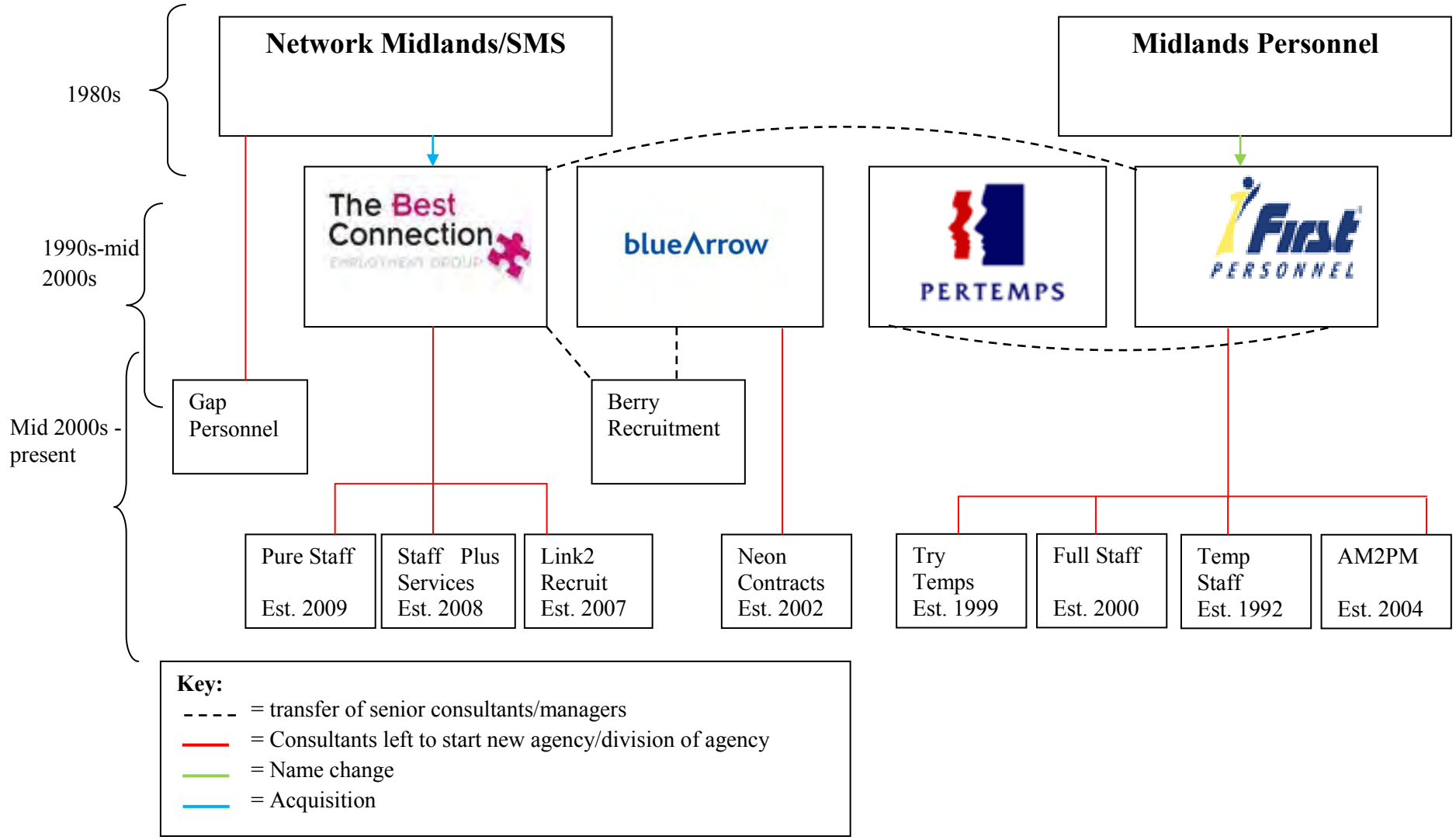
[28] Only 24 respondents answered this question because the other sixteen agencies i) could not identify their competitors, ii) preferred not to give the names of other agencies or iii) said they saw all other agencies as competition.

Manpower and Kelly Services – were rarely considered as major competitors by participants (two agencies named Adecco while only one agency listed Manpower and Kelly Services as amongst their biggest competitors). This demonstrates that within Birmingham specific agencies – namely The Best Connection, Pertemps, First Personnel and Blue Arrow – dominate (or at least are believed to dominate) the local temporary staffing market. Whereas larger multinational agencies, which we may expect to dominate the temporary staffing market due to their size, resources and internationally renowned brand name, are not believed to have a strong hold in this area. This is due, in part, to the way that the TSI in Birmingham developed and the fact that many of the smaller agencies in the area were started by people who had worked at these regional agencies and therefore recognised these regional TSAs as direct competitors. Birmingham's TSI has evolved in locally specific ways which today have created a distinct temporary staffing market in relation to the mix of different agencies in the area. The specific evolutionary dynamics and the role of Midlands Personnel and First Personnel have had a fundamental impact on the current mix of agencies in the area, not only with regards to the dominant agencies but also how, why and by whom smaller agencies were started. In this way the institutional mix of Birmingham's TSI will differ from other regions or cities because of the unique way it has evolved and the specific social relationships between different agencies that have affected this evolution (see Figure 4.2).

Figure 4.2 The Development of Birmingham's Temporary Staffing Industry



Source: Author

4.7 The spatial strategies of temporary staffing agencies in Birmingham

The locational strategies of TSAs in this research were used to address specific characteristics of Birmingham's TSI. For example, the significance of manufacturing and logistics sectors in the West Midlands and the associated large number of industrial and driving agencies in and around Birmingham meant that instead of agencies being scattered round the city limits in industrial parks (as they are in Manchester), in Birmingham industrial and driving agencies agglomerate within the city centre and on nearby high streets. It was evident when mapping industrial and driving agencies within the B-postcode area and carrying out interviews that many agencies were situated close to other similar businesses. Many participants also noted that they were surrounded or "across the road" (Interview 22) from similar agencies and competitors. The owner of this small agency articulated this when I asked about research contacts:

> There is an agency over the road, does the same as us; you could try to speak to them (Interview 33, Regional Manager, small national agency).

The closeness of competing agencies meant that is it relatively easy for temps to "walk across the street" (Ward, 2005:231) into a similar agency, thus enhancing competition over temporary workers. Furthermore, industrial/blue collar and driving agencies in Birmingham were limited in where they could locate because of their reliance on certain pools of labour. In Chicago Peck and Theodore (1998:473) note that the reliance on light industrial and manufacturing work and the subsequent "imperative of securing an 'appropriately contingent' labour supply... is tending to induce spatial agglomeration among temp agencies, many of which are located just across the street from their competitors". In Birmingham the reliance of industrial and driving agencies on low-skilled, unemployed or underemployed temporary workers means they have to be located in areas that these workers can get to. The lower

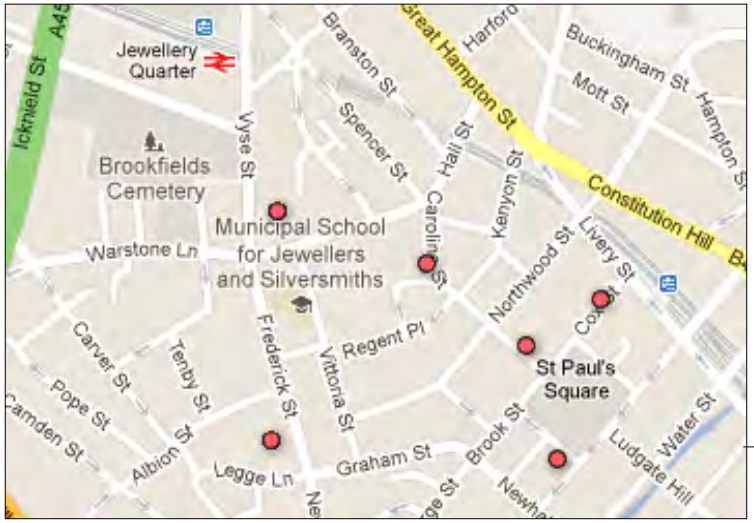
economic status of these workers limits their ability to travel and means they often rely on public transport and as such "all the agencies pick a location the temps can get to" (Interview three). This meant that agencies in Birmingham were often located on major bus routes, in the centre of town or near train stations, as these participants explain:

> ...because of your worker base, it depends what sectors you deal in, with driving you tend to find most drivers have transport and they are willing to travel within a certain radius of 10-20 miles. When you are dealing with industrial, the arms and legs side of it, a lot of the time they use public transport, that's why you will find a lot of the agencies – the larger ones will have multiple branches – within close proximity because they have to be for the people to be able to go in and register with them a lot more easily, because they won't travel too far on a bus to go and register so you find there are certain geographical areas of X amount of miles, 5 miles, 10 miles maybe, that you can get away with (Interview 22, Owner, single-site).

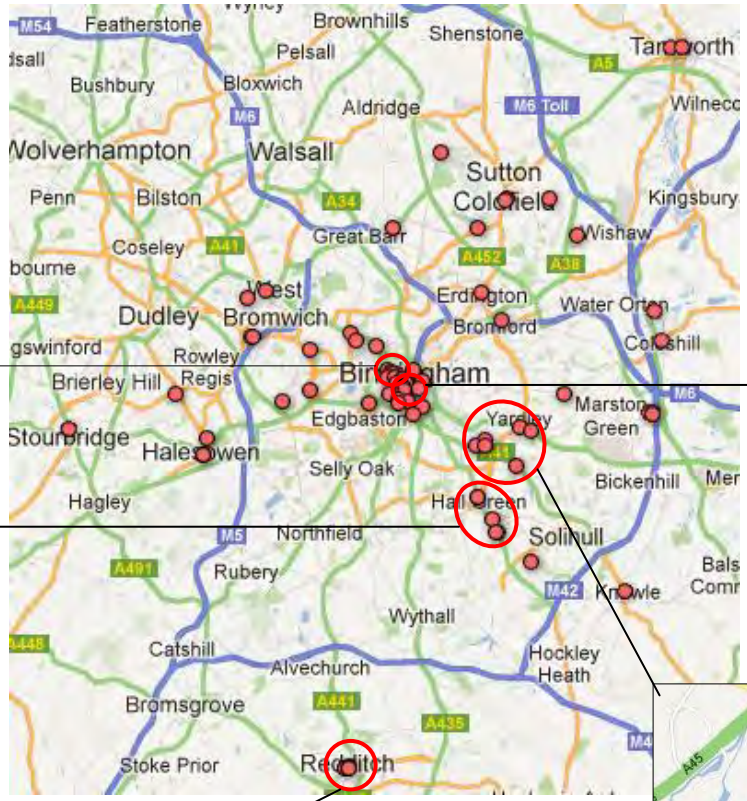
> When they are working at [our agency] at the level they are working at it needs to be close to where they live because obviously they are paid minimum wage ... so things like travelling will eat into their money, so we have to be local (Interview four, Owner, small regional agency).

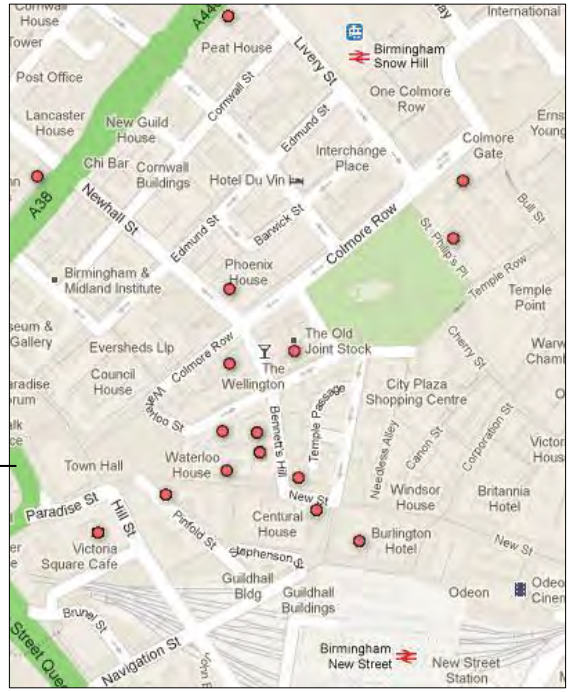
Figure 4.3 demonstrates some of the most distinct spatial agglomerations of agencies in the B-postcode area. The map demonstrates that industrial/blue collar and driving agencies cluster in significant numbers in the city centre and the Jewellery Quarter where access is particularly easy – all major bus routes go there and there are four nearby train stations. In other areas such as the Tyseley, Yardley and Acocks Green cluster, agencies are located close to the major bus routes on the Coventry Road and Warwick Road. This is also the case in Hall Green where five agencies have clustered along the Stratford Road – a major road into the city centre and also a significant bus route. Redditch is an example of a cluster of similar agencies in one smaller town centre, Halesowen, Sutton Coalfield, Tamworth and West Bromwich also presented a similar clustering of industrial/blue collar and driving agencies.

Figure 4.3 The Spatial Agglomeration of Temporary Staffing Agencies in Birmingham

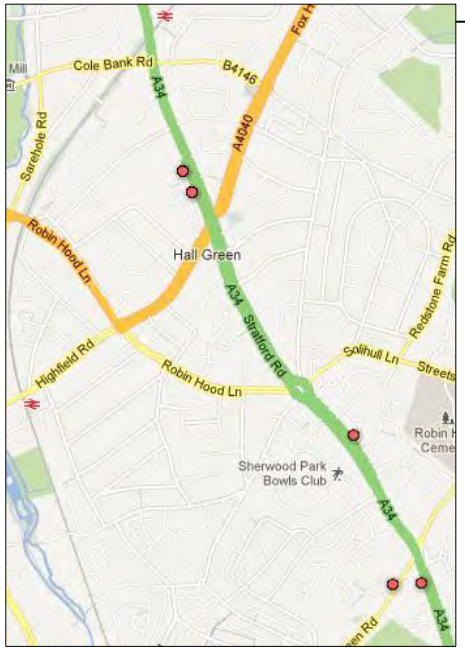


Jewellery Quarter - cluster around tramline and train





Birmingham City Centre cluster



Stratford Road – cluster around major link road and bus route

Redditch – cluster in small nearby town

Tyseley, Yardley and Acocks Green – cluster around train stations and major bus routes on Coventry Rd and Warwick Rd

Source: Map data É 2013 Google

In Birmingham the above average amount of low-margin, high-volume industrial and driving agencies and their reliance on contingent pools of labour has meant that in order to be available to these workers, agencies have little choice but to locate close to one another forming agglomerations on high streets and in the city centre. This is the opposite of what we see in Manchester and other more knowledge based economies where industrial and driving agencies are pushed out of the city centre to industrial parks. Moreover, the research found that some agencies actively located close to similar agencies in the hope that this would increase their own footfall of temps, as the owner of this agency expressed:

> Best Connection is on the main high street, Full Staff is on the Coventry Road. What we did was we picked [name of road] which was in between both of them (Interview three, Owner, single-site agency).

The close proximity of competing agencies and the intense cost competitiveness of this type of temporary staffing (low-margin, high-volume) can act to enhance competition between agencies, heighten the need for contractual restrictions on temporary workers and client companies and create complex social relationships between agencies (this is discussed further in Chapter Five).

4.8 The spread of industry knowledge in Birmingham's temporary staffing industry

The agglomeration of agencies and the proximity of competitors within Birmingham's TSI acted to heighten a direct sense of competition amongst agencies in and around the city. This, in turn, made agencies in the industrial and driving sectors in Birmingham secretive, insular and unwilling to communicate directly with one another. For example, the owner of a small local agency told me; "we [TSAs] are very insular, we don't share secrets" (Interview 22), while the owner this regional agency confirmed:

> Its clan warfare, we don't talk to each other, we are competitors and because we compete in the high street we don't sit around the table and discuss (Interview 24, Owner, large regional agency).

This feeling of hostility and mistrust amongst agencies was highlighted in the reluctance of participants to name their clients or talk about failed contracts in interviews. It also explained the repeated question; 'who else have you spoken to?' In order to stay abreast of the temporary staffing market in their area, agencies in Birmingham had developed other ways of gathering industry knowledge that did not involve directly engaging with competitors. The spread of industry knowledge amongst TSAs in Birmingham took place in three distinct ways: via shared clients, mobile temporary workers and the movement of consultants. Not only did this industry knowledge play an important role in informing agencies in Birmingham of new business, open tenders and particularly good consultants (amongst other things) it also affected the ways in which agencies operated on a day-to-day basis making them more secretive, more concerned with contractual restrictions and more protective over clients and consultants. This in turn, *reinforced* the insular nature of Birmingham's TSI.

4.8.1 Shared clients

Companies that use temporary agency labour will often work with numerous agencies, sometimes using formal tiers of agencies or alternatively on a more chaotic basis in which the client will call multiple agencies simultaneously. The use of multiple agencies by client firms draws agencies into direct competition because the client will often accept temps from the agency that responds quickest. Many agencies use their connection via 'shared' clients to find out about the charge rates, quality of temps, service quality and other activities of competing agencies. There are a variety of ways they do this, many of which are structured into the daily targets of consultants. For example; i) some agencies ask clients directly who else they are

working with and how they are performing, ii) others scan the visitor books on client visits for the names of competitors, iii) some agencies can work out which clients a competitor is advertising for by the description of the job advert placed by the agency on the clients behalf, iv) others ask their temps which other agency workers they saw on site. This information is used to develop new business with user firms in the local area. Indeed, participants from client firms revealed that many agencies where not above 'bad mouthing' their competitors once they found out who the other incumbent agency was.

These strategies are significant for the way that Birmingham's TSI functions because they heighten the need for secrecy and discretion amongst agencies in order to protect their clients from competitors. This, in turn, reinforces the insular nature of the TSI in Birmingham while further shrouding the temporary staffing market in mystery and ambiguity. Furthermore, the use of 'shared' clients as founts of industry knowledge can create a protectionist attitude amongst agencies in which they attempt to ring-fence and protect 'their' client from other agencies. The multifaceted dynamics of agency-client relationships and their influence on the market making or marginalisation or different agencies is discussed in Chapter Five. Here however, I argue that these connections between agencies via their shared clients are ingrained with a sense of protectionism, ownership and possession which is created because of the spatial agglomeration (the closeness of competitors) of industrial and driving agencies in Birmingham. This in turn affects the strategies of agencies in Birmingham and the process of recruitment (discussed in 4.9).

4.8.2 Temp messengers

As well as being connected via the same clients, agencies are also connected via the temporary workers they place. There is currently no restriction on the number of agencies that temporary workers can register with and often temps will register with multiple agencies to

increase their chance of finding work. As such, over multiple work assignments temporary workers develop a repertoire, often inadvertently, of valuable information on user firms (the agencies clients) – such as pay rates, induction practices, names of personnel, numbers of agency workers on-site, failings of other agencies to fill bookings, absenteeism, company procedures/job types and shift patterns. Moreover, they get to know a great deal about competing agencies – such as charge rates, registration procedures, compliance checks, other available temps and client lists. This wealth of information on their competitors and potential clients is garnered by recruitment consultant from temporary workers at regular intervals. For example:

> We do a lot of work when we speak to temps on where are you working and who are you working for and we collate that, *they are your best sales leads* (Interview 40, Director, national agency).

This information is used in a variety of ways to develop new business by picking up client leads, bypassing gatekeepers, exploiting weaknesses in other agencies supply and sourcing temporary workers. By extracting this information from temps agencies can assess which other agencies are working on client sites and who their biggest competitors are. The value of this information is compounded by the secretive nature of the TSI in Birmingham and the unwillingness of agencies to talk to one another. Moreover, it reinforces the reliance of TSAs in Birmingham on contingent *mobile* labour. As such, agencies which are located close to pools of contingent labour or in areas which temps can easily get to are more likely to have a higher footfall and, in turn, a greater degree of industry knowledge from their temporary workers. As such, in Birmingham the market making or marginalisation of different agencies within the local labour market can be influenced by their ability to locate themselves in the right place and in turn attract high numbers of temporary workers and extract industry

information from them. In contrast in areas such as Manchester where industrial/blue collar agencies are scattered throughout out-of-town industrial parks, the movement of temps between agencies is likely to be much less than in Birmingham where they can easily 'walk across the road' into another similar agency. As such, the garnering of industry knowledge from temporary workers is a key part of the operational practices of TSAs in Birmingham and, in turn, has an impact on the overall recruitment process of agencies in the city (discussed in 4.9).

4.8.3 The movement of consultants

The recruitment industry has a reputation for its "embarrassingly high staff turnover" (Clennett, 2007:4) a fact that was reinforced by many participants that confirmed "the average life expectancy of a recruitment consultant is about eighteen months" (Interview 19). While there were agencies with long serving members of staff, they were keen to point out that their "low turnover of staff is not the norm" (Interview 39) and was "unusual in recruitment where turnover is usually very high" (Interview 29) (this is discussed further in Chapter Six).

As well as being detrimental to company profit due to unrealised gains in training investment, and reduced manpower for sales and servicing clients, the movement of consultants between different agencies can cause issues regarding the protection of clients and temporary workers. Although there are legal restrictions on what previous business consultants can bring with them to a new agencies, participants explained that these were rarely invoked. Indeed many admitted that this was expected and in some cases encouraged:

> I have recruited people who have brought business with them and I am sure there are people that leave that take business with them, it's just one of those things (Interview 28, Divisional Manager, multinational agency).

> ...the people I employed I got them to take them [their clients] with them from Best Connection.
>
> Me: Was the job here on the proviso that they would bring clients with them?
>
> Yeah ... I don't want to get myself in trouble. I understand that there is a system where you are not allowed to take them [clients and temps] from another agency but the thing is the people I employed knew these people and they were *their* people (Interview 17, Owner, single-site agency).

Within Birmingham the regular movement of consultants between agencies has meant that certain consultants are particularly familiar as are the practices and working cultures within some agencies. This in turn has created a sensation of 'smallness' within Birmingham's TSI and the feeling that, despite the size of the industry, everybody knows everybody. As the regional manager of this national agency explained:

> ...the forum is Friday night in the local pub in the city centre, it is a very very incestuous industry and that's again because the average recruitment consultant will only stay somewhere one and a half to two years, so people tend to move around and wherever you go you tend to bump into people you have worked with before and you know ... everybody knows each other and it is a very incestuous industry (Interview 19, Branch Manager, large national agency).

The regular movement of consultants within the TSI in Birmingham has reinforced the protectionist strategies of many agencies in the city. This has meant that many agencies attempt to contractually secure relationships with their clients thus reducing the risk of consultants poaching them if they leave. This is particularly true in industrial and driving agencies where the reliance on high-volume assignments reinforces the need to contractually secure client business. Moreover, the movement of consultants (and with them valuable industry knowledge) between agencies or to start their own agency has had an impact on how the TSI in Birmingham has evolved. As such, the movement of consultants in Birmingham

has further enhanced the fiercely competitive and secretive nature of the TSI in Birmingham which in turn manifests in the day-to-day operations of different TSAs and the recruitment process.

The spread of industry knowledge in Birmingham's TSI occurs through three main avenues; shared clients, temporary workers and mobile consultants. Gathering information on competitors, business leads and potential candidates is a key part of the daily activities of agencies in Birmingham. Furthermore, the spread of industry knowledge across the industry is facilitated by the large amount of industrial/blue collar and driving agencies and their spatial agglomeration in the city centre or in other easily accessible areas. The means through which industry knowledge is spread have heightened the protectionist and possessive approach to clients, the reliance on mobile and contingent labour and the feeling of smallness and insularity amongst agencies in the city. This, in turn has an effect on the recruitment process and the way that agencies operate on a day-to-day basis.

4.9 The process of temporary recruitment

This section outlines the basic process of recruitment for temporary agency labour and the actions undertaken by TSAs and their client companies. It suggests how this process may be altered by the particular characteristics of the TSI in Birmingham and highlights where the following two chapters will analyse this process further.

The process of temporary recruitment can be understood in two parts; demand and supply. Both parts are comprised of a number of stages which are outline in Table 4.1. The demand side of the process incorporates the actions of the user of agency labour – the client company – while the supply side incorporates the actions of the TSA. The stages from Table 4.1 are illustrated using Figure 4.4 which provides a schematic diagram of how this process works.

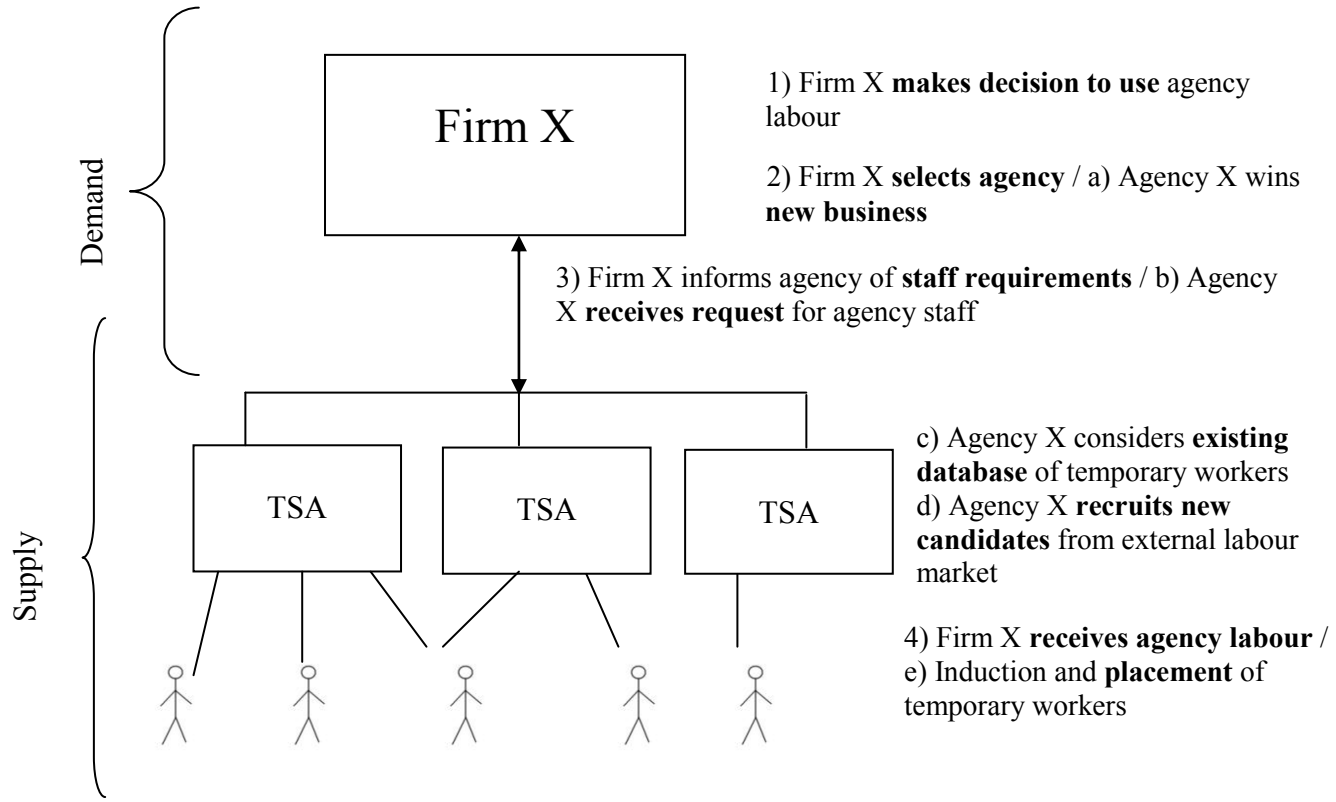
Table 4.1 Demand and Supply Stages of the Basic Recruitment Process

Demand Side	
1	Firm X makes a decision to use temporary agency labour.
2	Stakeholders in Firm X (HR, procurement or line managers) decide what they want from an agency and select an agency(s) through formal tender or by approaching an agency.
3	Firm X informs agency of staff requirements such as skill set, duration of placement and other necessary details.
4	Firm X receives agency labour, new temps are inducted by the TSA or client and begin work.

Supply side	
a	Agency X attempts to win new business by canvassing potential clients via emails, phone call targets, impromptu visits, formal tenders or poaching clients.
b	Agency X receives a request for temporary staff from the client.
c	Agency X considers their existing database of registered temporary workers.
d	In the absence of suitable existing temps, Agency X recruits new candidates from the external labour market.
e	Suitable candidates are registered at the agency and sent to work for the client.

Source: Author

Figure 4.4 The Basic Process of Temporary Recruitment



Source: Author

Alterations to the basic recruitment process presented in Figure 4.4 can depend on the effect of local labour market characteristics on the activities of agencies. In addition, Chapter Five argues that the internal dynamics of the client company can alter the basic recruitment process. It demonstrates that *who* within the client firm is responsible for agency selection (stage 2 of the demand side) can significantly influence how that agency provides a cost effective and flexible solution to temporary staffing. Chapter Six shows that the size of the TSA also has a significant effect on the process of recruitment. It demonstrates that the size of the TSA can have a significant impact on how the agency wins new business and services their clients (stages a, c and d of the supply side). Throughout Chapters Five and Six Figure 4.4 will be modified to demonstrate how the recruitment process is altered to incorporate additional stages, actors, third parties or contractual obligations, which in turn reshape the

structure of the TSI locally and the effect of different TSAs on local labour market functioning and employment.

The existing literature has addressed various parts of the recruitment process presented above while other stages remain less well examined. This thesis focus on specific stages of the recruitment process which have received less attention in order to fulfil the aims of this thesis and ensure an original contribution to the literature. Regarding the demand side of the process existing research which seeks to understand why firms use agency labour (stage 1) has been relatively extensive (see Chapter Two pp.47-49). The literature has argued that TSAs are actively encouraging firms to use temporary agency labour by providing new flexibility packages (Peck & Theodore, 2005) and lobbying government for favourable regulation (Peck *et al*., 2005). However, there has been less discussion regarding why clients use *certain agencies* and not others and what or who influences the decision behind *which* agency clients use (stage 2). Much of the existing research suggests that this decision depends largely on cost, and the TSI has been identified as a self destructive, cost centric industry (Peck and Theodore, 2001, 1998). Yet, Chapter Five demonstrates that the focus on cost as the primary tool for agency selection over simplifies this part of the process. In addressing the second research aim - to analyse how the relationships between agencies and their clients impact the activities of TSAs in the local labour market - Chapter Five considers the complexities of agency selection by client firms and how this affects the activities of agencies. More specifically, Chapter Five considers the criteria for agency selection and the priorities of different stakeholders within the client firm such as HR, procurement and line managers and the effect of this on the relationships between agencies and clients. The research shows that as the client's use of agency labour increases agency selection becomes the responsibility of HR and procurement departments as opposed to line managers. This is referred to as the

centralisation of agency selection and Chapter Fives demonstrates the impact of this on local relationships and the structure of the TSI.

The outcome of agency selection (stage 2) can have an impact on how the supplying agency receives the request for staff (stage 3 demand side, stage b supply side). For example, the centralisation of recruitment has led to the burgeoning use of third party organisations such as master vendors or neutral vendors which sit between the TSA and client firm and can dramatically change the recruitment process. The growing use of these organisations within the TSI has received little attention within the existing literature despite their impact on the new hierarchies of supply which have developed as a result. Furthermore, their use has become particularly popular amongst clients within the industrial/blue collar sector that use high volumes of temporary workers on low pay rates, therefore, the presence of master and neutral vendors is particularly significant within Birmingham. As such, Chapter Five also examines how and from whom agencies receive their request for temporary staff (stage 3/b). The chapter argues that modifications at this stage of the recruitment process, particularly the introduction of a third party, can affect the hierarchies which develop between agencies locally and have an impact on the relationships between agencies and clients. In turn, this reshapes the structure of the TSI locally and can influence the market making or marginalisation of different agencies.

The final stage of the demand and supply side of the recruitment process involves the client firm receiving agency staff and temps beginning work on the client site (stage 4/e). Existing literature has explored numerous issues at this stage of the recruitment process (see Chapter Two pp.44-47). Some of these relate to the triangular relationship which exists between agency temps, the client firm and the TSA during this period of work (Druker & Stanworth, 2004; Forde, 2001; Gonos, 1997; Gottfried, 1991, 1992). Other research has explored the

sense of self and aspirations of agency temps (Henson, 1996; Garston, 1999; Gottfried, 1991; Smith, 1998) as well as the ways in which agency temps are managed while on site (Gottfried, 1991). Moreover, Peck and Theodore (1998, 2001) have examined how TSAs actually get temps to the client site arguing that the mobilisation of agency workers out of the city into the suburbs to work has reshaped the labour market. There has also been a welcome literature on the use of regular temps by agencies which reduce the time spent on induction periods and keep clients happy (Forde, 2001). Because the existing literature has told us less about certain stages of the demand side of the recruitment process than others, the following two chapters focus less on why firms decide to use agency labour (stage 1) and the experience of temps at the worksite (stage 4) and instead use an agency perspective (i.e. placing the agency centre stage of the analysis) to analyse agency selection and why firms use certain agencies and not others (stage 2) and the hierarchies and relationships which develop when clients make the request for staff (stage 3).

On the supply side of the recruitment process Chapter Six examines stages a, c and d of the basic recruitment process. Again, it does this because there has been less literature on these areas of the process but also because the research demonstrated that the activities of TSAs at these stages had a significant impact on the role of different TSAs in the local labour market. While existing literature has examined how TSAs are trying to develop new business (stage a) this has largely explored the tactics of multinational TSAs such as diversification and internationalisation and strategies to increase functional integration within large corporate clients (Forde, 2001; Ward, 2004). There is much less known about the tactics used by independent agencies to win new business, or the strategies used by multinational TSAs *locally* to develop their client base. Chapter Six demonstrates that the size of TSAs plays a significant role in how agencies win new business (stage a). This relates to key differences in

management structure and consultant autonomy, service quality and infrastructure and branch networks. It argues that, in the past, existing literature has over simplified the role of agency size particularly regarding the polarisation between very large and vary small agencies within the TSI (Peck & Theodore, 2001). Moreover, the tendency amongst existing studies to focus on agencies at either end of the size spectrum (i.e. large multinational and small back street) is particularly problematic in Birmingham where it was evident that many of the industrial and driving agencies did not 'fit' into these categories. Therefore it was unclear how current theories of polarisation and restructuring could be applied in Birmingham – Chapter Six is an attempt to address this.

Chapter Six analyses how agency size affects their ability to source temporary workers and supply clients (stage c and d). Aspects of this have been addressed in the existing literature such as the strategies of agencies in selecting 'good' temps (Peck and Theodore, 1998, 2001), the use of regular temps by TSAs (Forde, 2001), the selection of temporary workers with the 'right' attitude (Forde, 2001), the tactics used by agencies to find suitable workers (Forde, 2001; Ward, 2005) and the typical characteristics of these workers (Parker, 1994; Vosko, 2000; Forde, 2001) (these are discussed in more depth in Chapter Six). However, Chapter Six argues that agency size plays a key role in how TSAs fulfil client demands for labour. This does not just relate to the volumes of temps an agency can recruit but also the rigour of compliance checks, the ability of TSAs to supply 'good quality' temps and the agency margin.

Chapter Six argues that the tactics used by different sized agencies to supply clients create hierarchies of supply amongst TSAs. However, there has been less research that considers the complex hierarchies of supply and secondary supply which agencies manage outside the knowledge of the client company in order to meet client demand. These relationships between

agencies affect the structure of the TSI and can have an impact on the role of different TSAs within the local labour market

Variations within the basic recruitment process and the impact of these on the role of different agencies within the local labour market have received less attention in the current literature. In many cases this basic process is used to explain and analyse the phenomenon associated with the use and supply of agency labour, yet, I argue that variations in this process create unique situations within the TSI which can reshape the way the industry operates at a local level and have an impact on the role of different agencies with the local labour market. In light of this, the process in Figure 4.4 is modified throughout the Chapters Five and Six to show how the process can be changed. Chapter Five considers the demand side of this process and discusses the process of agency selection as well as the relationships which develop between agencies and clients as the recruitment process is modified to incorporate other intermediaries thus altering how and from whom the TSAs receive their request for staff. Chapter Six then considers how the size of agencies affects how they develop new business and the service they can offer to clients.

4.10 Conclusion

This chapter has shown how specific characteristics of Birmingham's economy and geography as well as the unique evolution of the TSI in the city and the role of a few key regional agencies have created a distinct temporary staffing market in the region. In particular this distinctness relates to the mix of agencies in the area, their locational strategies, and the way they interact with one another as a result. It has addressed the first aim of this thesis – *To analyse the impact of local labour market characteristics on the activities of TSAs at a local level and how this informs the process of recruitment*. The chapter began by identifying the

specific geographic and economic characteristics of Birmingham and the West Midlands. It used previous studies on the TSI in different cities and the REC 2006 Census to evaluate what effect we may expect these different economic and geographic influences to have on the agencies and TSI in Birmingham. The Chapter then used interview data to understand how the TSI had evolved. It highlighted key regional agencies which appeared to be the seedbed for many of the smaller local TSAs currently operating in the city and which the majority of participants perceived to dominate temporary industrial and driving recruitment in the area. Surprisingly, none of these agencies were multinationals which demonstrates how the unique mix of TSAs in the region and the evolution of the local industry can affect the structure of the TSI in different localities and allow regional agencies to dominate in different places.

Chapter Four has also shown how *the economic characteristics of the local labour market can influence the spatial strategies of agencies*. For example, in Birmingham high levels of unemployment and skills shortages coupled with significant reliance on manufacturing and logistics industries have influenced the market for temporary staffing. The high density of industrial and driving agencies and their need to locate in places their labour pool can get to has meant competing TSAs are often located in close proximity. This has had the effect of enhancing competition and made agencies more mistrustful of one another which in turn has heightened the perceived need for contracts which secure client business or strong relationships which prevent competitors poaching clients. Moreover, industry knowledge has become important for agencies in order to stay abreast of their competitors; this takes place through temp messengers, shared clients and consultants. The research demonstrates that the activities of agencies described in this chapter are intensified in Birmingham because of the geographic and economic characteristics which have influenced the TSI. In places were industrial agencies are dispersed among industrial parks around the outskirts of the city (e.g.

Manchester) we may not expect such an exaggerated and enhanced feeling of competition amongst TSAs in this sector compared to Birmingham. In turn, this affects how industry knowledge is spread, the importance of contractual agreements, the evolution of the industry and other significant factors which not only influence the role of different agencies in the city but also the process of recruitment.

Finally, then, this chapter has shown that certain stages of *the recruitment process are likely to be influenced by the locational characteristics of the TSI.* As discussed, the activities of TSAs can depend on the geographic and economic characteristics of the local labour market. As these activities change, so the basic process of recruitment is also open to modification. The following chapters demonstrate how stages of the recruitment process are affected by the local activities of agencies. This is important not only because it highlights how regional variations in the TSI may manifest but also because it demonstrates how these regional variations can impact the way that agencies operate in different places. The next chapter examines in greater depth the relationships between agencies and their client firms. If focuses on agency selection and the hierarchies and agreements which develop in order for agencies to fulfil the clients request for staff and how this can impact the activities of agencies and their role in the local labour market.

5 CHAPTER FIVE

Client-Agency Relationships: Centralisation, Contractualisation and Local Resistance

5.1 Introduction

This chapter addresses the second aim of this thesis; it *analyses how the relationships between TSAs and their clients impact on the activities of TSAs in the local labour market.* It extrapolates stages of the demand side of the 'basic' recruitment process presented in Table 4.1 and Figure 4.4 to demonstrate how different arrangements between agencies and their clients can reshape the recruitment process. Specifically, this chapter focuses on *agency selection* (stage 1) and the means by which agencies *receive the request for staff* from the client firm (stage 3). This chapter demonstrates that three key issues influence agency selection and how agencies receive the request for staff from clients. These are; i) the increased centralisation of company recruitment, ii) the contractual arrangements that develop between client and agency and iii) attempts at the local level by agencies and line managers to subvert and resist forms of centralisation and contractualisation by larger clients and agencies.

The centralisation of recruitment refers to the process by which large scale users of temporary agency labour remove decisions regarding agency selection from the operational level, i.e. line managers and those that work directly with agency staff, and reassign these decisions to more central departments within the client firm such as HR and procurement. This is done in order to regain control of the chaotic and unorganised nature of agency selection and recruitment at the operational level. The result is that central HR and procurement departments have begun to have greater influence on agency selection and client-agency relationships. Although existing literature has alluded to the impacts of this procedure on TSAs, there has been very little analysis regarding the effects of centralisation on different

agencies at a local level and the knock-on effects on agency hierarchies and polarisation of the TSI.

This chapter addresses this by examining how the centralisation of recruitment within client firms has reframed how agencies provide a flexible solution to temporary staffing. This is due to a shift in *who* within the client firm is responsible for agency selection and the different priorities of these actors. In order to do this the chapter first examines the relationship between agencies and line managers in section 5.2, it considers the main priorities for line managers in agency selection and analyses the relatively informal and insecure relationships which exist between line managers and different TSAs. It argues that although these relationships can compound the insecure and competitive nature of the TSI they can also enhance the speed and quality of service provided by the TSA. In section 5.3 the chapter examines how the relationships between line managers and agencies are coming under increasing pressure from HR and procurement departments due to centralisation. Section 5.3.1 discusses how the priorities of HR and procurement departments differ from line managers and the effect of this on agency selection and the types of agreements which emerge between agencies and clients, this is illustrated in Table 5.1. In section 5.3.2 the chapter considers the rise and influence of national agreements – in which one TSA services a client in all their sites across the country – as a major outcome of centralisation. Although the existing literature has discussed the emergence of national agreements this chapter argues that it may have overlooked particularly important dynamics created by national agreements at the local level, especially with regards to service quality and local relationships between line managers and TSAs, this chapter addresses this.

The centralisation of recruitment has also increased the use of contractual agreements within the TSI. These agreements vary but two of the most common that emerged in this research

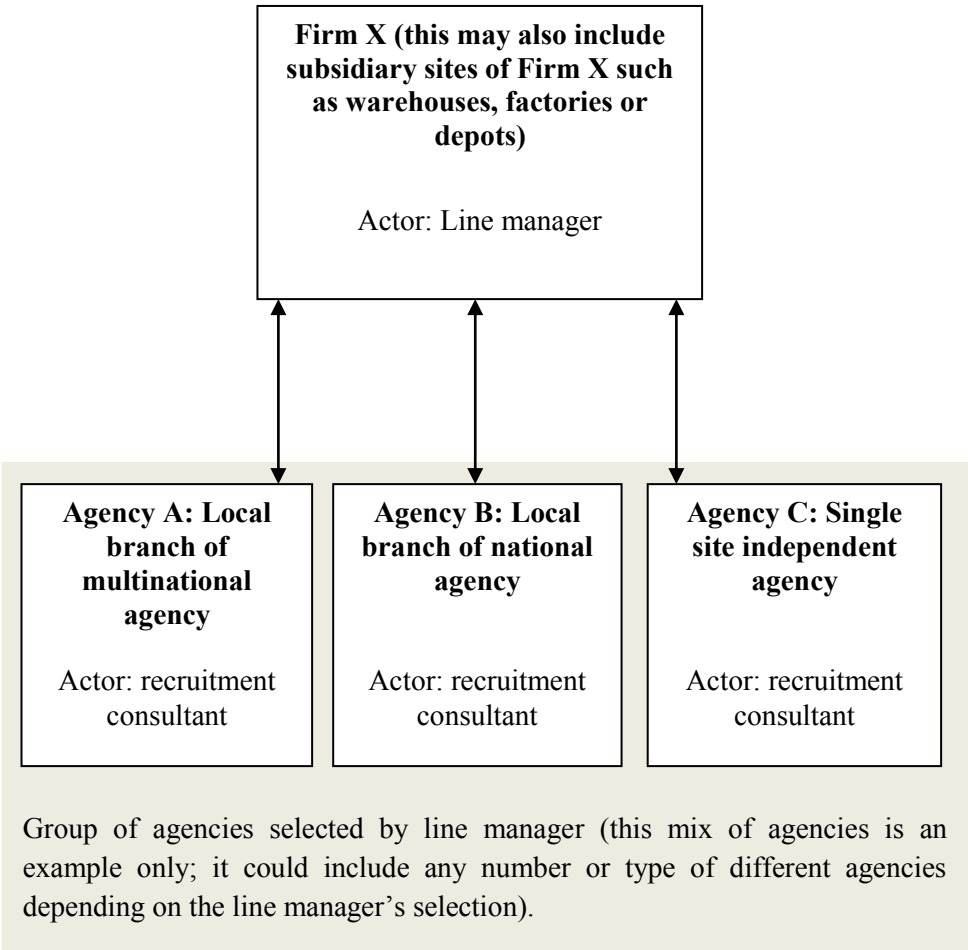
were master and neutral vendors. Existing research has begun to consider the hierarchies of supply which develop as a result of subcontracting agreements under master vendors but there is little, if any, mention of the recent burgeoning of neutral vendors within the TSI. As such in section 5.4 I analyse master and neutral vendors and the impact they have had on the hierarchies of supply that emerged within Birmingham and the subsequent effect this has on the role of different agencies within the local labour market. I also consider how these contractual agreements can have subtle yet important impacts on the polarisation of the TSI which have not been discussed in the existing literature. Finally in section 5.5 importantly I discuss how the centralisation and contractualisation of the staffing industry has not been passively accepted by the swath of independent agencies at the local level. Indeed, the pervasiveness of resistance and subversion amongst local independent agencies and line managers has allowed some agencies to navigate these contracts and re-shape the market for temporary staffing once again. As such, I argue that the informal relationships which develop at the local level between line managers and agencies can modify and rewrite more formal wider agreements and in turn disrupt the centralisation and contractualisation of the TSI. This depends on the social interactions between agencies and clients and as such these influences will vary in locally specific ways.

5.2 The relationship between line managers and consultants

This section considers the relationships which develop between recruitment consultants in different agencies and line managers from client companies. This relationship is important within the TSI because it embodies the most common day-to-day interaction between the agency and their client company in the request for staff. Furthermore, amongst small scale or *ad hoc* users of agency labour the line manager is often responsible for agency selection. As such, a strong relationship with the line manager can secure agency business and facilitate

smooth placemats for agencies of all sizes. This is especially important in the absence of formal contractual agreements which are seldom used for small scale *ad hoc* supply. Although existing literature has considered the relationship between the agency and 'client' or 'employer' it seldom acknowledges *who* within the client firm the agency develops the relationship with. Yet, this research argues that this is fundamentally important in our understanding of how the TSI is structured, in what ways agencies provide a flexible solution to temporary staffing and what role different agencies play in the local labour market. Figure 5.1 demonstrates how this relationship maps onto the basic recruitment process.

Figure 5.1 Local Agency and Line Manager Relationship



Source: Author

Figure 5.1 demonstrates that for some clients – usually small scale or *ad hoc* users of agency labour or the local depots or warehouses of larger clients – the demand for agency labour comes directly from the line manager and it is the line manager that is responsible for agency selection. In the majority of cases the line manager will use multiple agencies in order to increase the chances of getting temporary workers more quickly and often temps from the agency that responds quickest will be employed. As such, a wide array of different agencies are often used and the local line manager sets the criteria for agency selection.

Ward (2003a:17) has noted that when agencies are supplying smaller numbers of temporary workers "for ones and twos arrangements" the relationship between user firm and agency is built on trust, often comprising of informal verbal agreements. Indeed, participants from Birmingham confirmed this, with many asserting that for *ad hoc* supply or small numbers of temporary workers there are few, if any, formal agreements, and that this type of business relies on the trust between agency and line manager, for example:

> Most of the work is done on a trust basis, we still have terms of business but we don't stipulate to our clients that we have to have a twelve month contract or that we have to be the preferred agency on paper ... because we have got a level of trust with them. We know that the relationship is there and it's working but it is not in a formal document (Interview 37, Owner, single-site agency).

> ...there is nothing in writing to say you are guaranteed eighteen months work ... if we mess up they can take it off us, we mainly do *ad hoc* bookings so there is not a lot of stuff we can secure (Interview four, Owner, small regional agency).

> That relationship [with the line manager] is really important. It's getting the trust factor and it's working with them on a daily basis, on a one-to-one basis, and if you don't get on with someone and you can't build rapport it is harder to do business with them (Interview 35, Area Manager, multinational agency).

The importance of these relationships is particularly significant within the industrial and driving sector where, despite the growth of large volume supply, *ad hoc*, sickness and holiday fill-ins still make up a substantial proportion of agency business (Forde, 2001); this is the case with small independent agencies as well as multinational and national agencies. For example, one branch manager from a large multinational national agency estimated that within their branch "50% of our clients are national agreements" with the rest being "smaller clients" (Interview 35) while another national agency estimated that "60% is smaller business where we have one to ten temps in" with the other "40% being high usage" (Interview 26). On average multinational and national agencies estimated that between 30-50% of the business they did in their local branch was large volume supply – agreed nationally outside the local branch – the rest was small scale *ad hoc* business secured locally. Unsurprisingly *ad hoc* and small scale supply also makes up the majority of the business done by smaller independent agencies who "don't go after the big companies... because it would be too much of a drain on resources" instead the majority had "a nice bed of smaller clients" (Interview 37) which provided them with "a constant flow of quick win business" (Interview 33). As such, smaller *ad hoc* users constitute a significant portion of multinational, national and independent agencies' business, as this industry expert explains:

> ...most of the UK is built up of SMEs who don't buy national contracts; I think people get caught up that the whole world is buying national contracts, it isn't. There are companies out there that are big enough to buy national contracts but most of every single town is full of SMEs who don't want contracts, who maybe want one member of staff every 18 months (Interview 64, Non-executive Director of national agency and Ex-COE of multinational agency).

This type of supply for companies 'who don't want contracts' is coordinated and controlled by the line manager within the client site. Therefore, understanding the dynamics of this local

relationship between line manager and consultant is an important part of understanding the wider influence of all agencies within the local labour market. Although existing research has discussed the changing demands of different sized clients, there has been little consideration regarding the priorities of different stakeholders within the client firm, including line managers. The priorities of the stakeholder responsible for agency selection can affect what firms want and demand from agencies. Importantly thought, this research argues that *the priorities of line managers differ significantly from other departments such as HR and procurement and this, in turn, affects which agencies may be selected by the client*.

Interviews with client firms and the vast majority of agencies highlighted two key priorities for line managers in regards to the supply of agency labour, these were; speed of placement (i.e. sourcing and placing the temps quickly) and the quality of the temp (i.e. do they meet the desired skill set and criteria). Agencies can strengthen the relatively insecure and informal relationship with line managers by meeting the criteria for successful supply stipulated by the line manager. The relationship which develops between line manager and consultant is negotiated locally and dictated by few contractual obligations or agreements. As such, this relationship can lead to insecurity amongst agencies due to the relative ease with which clients can move to new suppliers. The owner of this independent agency explains; "a lot of the new business we get comes from clients that can't get the service from other agencies, the other agency can't fill it so they [the client] have phoned us" (Interview four). Their relative freedom to work with other agencies heightens the importance of developing a strong relationship with line managers in order to reduce the chances of them moving to a competitor. As such, these relationships, although based on trust to a large extent, also rely on the agency's ability to place 'good quality' temps quickly.

Line manager's priority for speed of placement by the agency was often exacerbated by unforeseen spikes in production demand, sickness or the failure of other agencies to supply. In Leeds and Telford, Forde (2001) notes that in order to fulfil client demands in a timely manner agencies would accrue a surplus 'stock' of temps which were recruited in anticipation of client demand and held on file should they be needed. In this way the uncertain and chaotic nature of the recruitment process – which is perpetuated by the informal and insecure nature of the relationship between line manager and consultant – is passed onto the temporary worker as they spend prolonged periods between assignments waiting for the phone to ring. This phenomenon was reinforced by many of the participating agencies in Birmingham who fervently reassured me that "everything is about the customer, not about the temp" (Interview three) and having a database of available temps that were ready to go at a moment's notice was necessary in order to be able to compete with other agencies and fill client vacancies quickly, thus retaining the business. Many stated that clients were all too quick to call another agency if you didn't fill bookings quickly enough.

Another priority for line managers was the suitability and high quality of the temporary workers provided by the agency. In many cases agencies could increase their chances of providing 'good' quality temps by supplying clients with repeat workers and in many cases line mangers would request temps that they had used before. Again, this has been highlighted by Forde (2001:12) who notes that "agency managers increasingly saw the provision of 'repeat' workers as an essential part of the service they offered". But, what is interesting in this study is that developing a reserve of repeat workers acted to *strengthen the relationship* between the agency and line manager due to the 'quality' of the agencies stock. If an agency can keep hold of a number of temporary workers that have experience at Firm X, the line manager for Firm X is likely to go to that agency first and wait longer for their preferred

temps before looking elsewhere. Indeed, many agencies were keen to give their clients what they want and in some cases temporary workers would be taken off their current assignment to fulfil the requests of important clients or big users. In this way, the insecurity and fragility which can typify the relationship between line manager and consultant (as a result of non-contractual guarantees) can be somewhat reduced by offsetting further risk onto the agency worker by stockpiling temps and keeping a reserve of regular workers available. As such, these informal relationships and recruitment processes can enhance the risks of agency work for temporary agency workers thus increasing insecurity within the local labour market. Only by understanding the dynamics of the relationships between line managers and agencies can we appreciate why agencies benefit from offsetting these risks onto temps. As discussed employers can off-set risk onto temporary agency labour through pre-screening, reduced legal responsibility and limited fringe benefits (Coe *et al*., 2010), but my research takes forward this approach and argues that agencies can also off-set the risks associated with insecure and non-contractual relationships with line managers onto temporary agency workers. This is done by pulling them off assignments to work for different clients, stockpiling 'quality' temps and keeping certain temps available for short notice placements at regular clients.

Despite the insecurity that the relationship with line managers can bring many agencies argued that this informal interaction between client and agency was conducive to quick recruitment, enhanced the chances of supplying suitable candidates and facilitated business development as opposed to more formal or regulated practices, for example:

> ...when we are dealing with warehouses and factories these [the line managers] tend to be people who have worked their way up off the shop floor so they don't always do things by the book or as they are told, so if you start talking to them about football or whatever else you tend to be able to get in there but once HR get involved it gets more difficult because

> they want everything to be... I don't know, they just make it difficult (Interview 20, Regional Director, large regional agency).

> A good relationship can transcend cost and service because if you have a good relationship with your customers and a customer knows you well, knows that you are capable ... then that will mean they can be less bothered about how much you charge ... also they are more likely to allow you a little bit of leeway and have the odd hiccup and mistake because they know you ... rather than it being all business and figures it becomes real and human (Interview eight, Owner, single-site agency).

Indeed, many participants noted that the informal nature of the relationship between line manager and local agency allowed the agency to supply temporary workers more quickly. There was less emphasis on additional procedural constraints such as reference checking or sending over CVs and cost presented less of a stumbling block in many cases as line managers were more concerned about the supply of reliable workers rather than agency margins. Developing a strong relationship with the line manager did not only benefit the agency. Participants from client companies noted that developing a relationship with an agency could enhance service quality:

> I have known John[29] for about 15 to 20 years, we have a good relationship so I just use him basically; it's very rare I use any other agencies because I know what I am getting with John. ... I found a lot of them [other TSAs] were inflexible compared with John, its having that relationship whereby he knows exactly what my needs are (Interview.41, Site Manager, SME, metal pressing company).

> ...it is down to individuals, if you have got a very good transport manager who has built an excellent relationship, let's say you have a really good transport manager at Eddie Stobart's who is building a really good close working relationship with an agency, to be

[29] This quote is taken from a matched pair interview with the client of Interviewee three (owner of single-site agency), as such the name of the agency owner 'John' has been changed to protect the identity of Interviewee three.

> fair that agency may well be prioritising that manager (Interview 46, Regional HR Manager, national haulier).

The relationship which develops between line manager and supplying agency at the local level has a number of benefits for the agency. It can increase business security making clients less likely to switch to a new agency. It can speed up the process of recruitment by reducing additional procedural requirements. It can allow agencies to charge relatively high margins by taking emphasis off cost based decisions and refocusing them on service quality. Moreover, a strong relationship between these two actors can enhance the service quality for the user firm through the provision of regular temps, a better understanding by the agency of client requirements and becoming a priority for that agency all of which enhance the speed of placements and the quality of temps. In this way, agencies increase their ability to meet the priority demands of line managers and therefore provide them with a competitive staffing solution. These priorities for line managers determine how TSAs provide them with a flexible solution to temporary staffing. The characteristics of this flexibility are determined by the line manager, for whom speed and quality of temps are of paramount importance. As such, the way in which TSAs facilitate flexibility is determined *by who* within the client firm they are providing it for. However, the relationship between line manager and agency can be conducive to a chaotic and uncontrolled recruitment process and in an attempt to control this some larger user firms have centralised their recruitment process.

5.3 The centralisation of recruitment and national agreements

The centralisation of recruitment is the process by which users of agency labour remove decisions regarding agency selection from line managers and consign them to centralised departments – generally HR and procurement – within the client firm. This is done in order to

reduce agency rates, control agency selection and standardise the recruitment process across all sites of the user firm. The following quote demonstrates this process:

> The first thing HR do is say; 'what the hell are you [the line manager] doing talking to recruitment people, it's nothing to do with you, you are in the warehouse'. So in factories you may have a production manager but it is not them who recruits, it is the personnel manager. ... It filters down from the MD, they give it to the board then to the HR and then someone else and someone else and then they [the line manager] will go to an agency and say OK, someone five bosses up told me to come and talk to you (Interview 63, Project Manager, Birmingham City Council BRIDGE project).

This research argues that centralising agency selection changes the priorities of the user firm moving them away from the criteria determined my line managers and refocusing agency selection on cost, compliance and standardisation. This is turn can affect how and why agencies are selected and how the TSI is structured. Here I consider the priorities of HR and procurement and how these differ from line managers priorities. Depending on which of these stakeholders is responsible for agency selection can determine how and under what criteria agencies provide a flexible and competitive solution to staffing within client firms. While the existing literature has given some consideration to the division of "production and personnel departments" (Forde, 2001:11) within the user firm there has been little, if any, discussion regarding how the priorities of these different groups can affect the ways in which agencies provide a flexible solution to temporary staffing. The centralisation of recruitment has also fuelled the growth of national agreements which in turn have had an impact on agency selection locally and caused many relationships between line managers and agencies to be severed.

5.3.1 The priorities of HR and Procurement

Purchasing agency labour by a user firm can follow different processes depending on the individual company. In the majority of cases there are three key stakeholders involved in this process:

> ...temporary agency labour is bought, by many companies, by three different departments in the main; procurement, HR or operations and broadly speaking that would encompass 99% of organisations in the UK if not more. And, whilst all departments have their strengths in buying agency labour, they all have their weaknesses ... and it is unusual to find any company who buys agency labour whilst considering all three key stakeholders' views (Interview 61, CEO, de Poel).

In one of the few accounts of changes in client company dynamics Ward (2003a:21) notes that "[w]ho within the client firm agencies deal with has begun to change" he argues that "no longer are agencies dealing with workplace managers. Instead they have begun to deal with central human resource managers, as recruitment decisions within firms have been centralised" in turn "this trend has disrupted existing local relationships built on reciprocity and trust." Indeed, participants in Birmingham confirmed that HR and procurement departments were taking a more central role in the process of agency selection and recruitment in some client firms. In many cases they also stated that this can have adverse affects on the relationship between the local line manager and the agency.

However, this change in who agencies deal with is not happening across all clients, many smaller or *ad hoc* users still rely on line managers to select the agency. Moreover, in cases when it is happening, who within the client firm agencies deal with on a day-to-day basis is not necessarily changing (this is still the line manager), but who within the client firm is responsible for *agency selection* has changed in larger scale users. As such, relationships with workplace managers are still important but they do not hold the same potential for developing

new business as they do in *ad hoc* users or may previously have done in large scale users. Therefore, by examining *agency selection* we can begin to understand how this change in personnel within client firms is restructuring the TSI. But importantly, this research highlights that although local relationships between agencies and line managers are being reshaped by centralisation this is not as straight forward as an all-out shift away from relationships of reciprocity and trust. In contrast to Ward's (2003a) findings, agencies in Birmingham were still dealing with workplace (line) mangers and indeed many agencies still relied on the business they developed from this direct relationship. In some cases the centralisation of recruitment has changed the nature of this relationship and altered the benefits it may previously have afforded agencies such as increased security of business.

Furthermore, this research provides a more nuanced understanding of how client agency relationships are changing by considering the different demands or priorities of line managers compared with HR and procurement. This has a knock-on effect for agency selection and which agencies work with which clients. As such, this research makes a significant contribution to our understanding of how the TSI is structured by providing a more nuanced and in-depth analysis of who is responsible for agency selection.

The specific reasons behind the decision to centralise recruitment and agency selection may vary depending on individual firms. There are some general external influences which have contributed to centralisation and the removal of agency selection from line managers. Changes in legislation such as the Working Time Directive and the Agency Workers Regulations have increased the amount of compliance checks agencies need to undertake on a day-to-day basis. In some cases, agencies noted that line managers were less concerned with the rigour of these compliance checks, whereas, they sat high on the HR department's list of priorities. As such, the emergent role of HR in agency selection has meant that agencies need

to demonstrate that they can provide temporary labour quickly and efficiently while complying with relevant procedural checks. Many agencies expressed their frustration at this:

> ...with HR services they don't just want any candidate, they want candidates who are CRB checked, referenced checked... (Interview 21, Senior Consultant, large national agency).

> It was a lot simpler business [in the 1990s] because there was a lot less legislation, there wasn't minimum wage, there wasn't holiday pay, there wasn't working time directives, there wasn't so many health and safety issues, there wasn't so many regulations on drivers, so it was a simpler business. So if people wanted staff, for example if you wanted ten packers you just asked for ten packers and we provided ten packers, now it is all sophisticated and you have to gloss up everything around it and you get the impression that actually they have lost sight of the fact that they just want ten people to pack (Interview 26, CEO, large national agency).

Current literature notes that many companies that use agency labour have begun to do so in increasingly large volumes (Forde, 2001), as such, even small cost savings on agency rates can make a significant difference to client profitability. This was reinforced by participants who noted that many of their clients have become increasingly sophisticated users and were now demanding cuts in agency margins as demonstrated by the quotes below. Yet, this research builds on this argument and suggests that the transition to more cost conscious or 'savvy' client firms lies with the shift in agency selection away from line managers and into more central departments such as HR and procurement. Thus:

> ...over the years the users have become far more sophisticated users than they were, far more cost conscious, not actually quality conscious (Interview 26, CEO, large national agency).

> ...the nature of the market changed ... they [TSAs] couldn't go to [line] managers and blag them because of the tenders and the contracts, and managers became more savvy about it, more business savvy about it so they knew that they were getting ripped off and they wouldn't use certain agencies (Interview 21, Senior Consultant, large national agency).

The removal of decision making power from line managers – whose priority was not necessarily one of cost saving – has allowed user firms to place cost at the centre of their agency selection process. As large volume usage began to increase across the UK many volume users reassessed who within the firm was responsible for agency selection in order to guarantee they were working with agencies that were cost competitive:

> ...it's strange that clients allow this, you go to a big shed which has 200 temps, that's £2.5 million spend [per year], and traditionally clients have let Bob the warehouse manager spend that, so Bob spends £2.5million on agency labour. Separate to agency labour Bob is not allowed to sign off a purchase order for more than £100, this is perfectly normal, it doesn't take long to point out to head office that you are letting people who you wouldn't let spend £100 on stationary without a signoff process, for some reason, spend £2.5million on agency labour, and what training have they had? Have they got a good deal? ...and they do tend to get it wrong, whether by under paying the agency or over paying and not understanding (Interview 61, CEO, de Poel).

Increased legislation and a growing use of agency workers in large volumes has meant that human resources and procurement departments have become more involved in the process of agency selection. This has led to an increased focus on compliance and cost for supplying agencies as well as a removal of decision making power regarding agency selection away from line managers. Table 5.1 (p.163) demonstrates the priorities for agency selection between these three groups within the client firm and the types of agreements that characterise the recruitment process under these different actors. The quote below also demonstrates the different priorities between line managers and HR and highlights how these actors have 'different hot buttons' which agencies need to hit in order to appeal to either group:

> ...the line managers have got the pain if the vacancy is not filled, HR don't. If your warehouse manager doesn't have the ten production operatives turning up on time on Monday he is the one that is getting the grief for that because his remit is to produce the goods on time or despatch them on time. HR aren't feeling that pain and I think where

> consultants go wrong is that *they are selling to HR about getting production operatives to them on time and they [HR] are not really interested in that*, they [HR] would be more interested in your quality accreditations, or your reference procedures or the way you present your CVS, *they [HR] have different hot buttons* that you need to press and sell to get them onboard (Interview 28, Divisional Manager, multinational agency).

Participants in Birmingham noted that one of the most notable effects of the centralisation of recruitment was the loss of long-term business. This was a result of changes in client priorities due to a different group of actors determining agency selection (see Table 5.1). Therefore, clients that had centralised their recruitment process had shifted selection criteria away from speed and quality of temps towards proficiencies such as cost savings, compliance procedures and administrative standardisation. Furthermore, they noted that this change was characterised by more formal processes of agency selection such as tenders, beauty pageants and bids. In many cases this meant that agencies were losing what had previously been secure business because line managers were no longer responsible for agency selection and ultimately some agencies were less attractive or compelling under this new set of criteria. For example:

> We don't really know why we lost the business, all we heard one day was that the business was going up for official tender ... we thought we would win it because we had been working with them for three years. Sylvia had been on the phone to them at midnight, we were giving them very good service, they seemed happy, but we didn't win the bid, we lost it to a national agency because they were able to undercut us on price, that was the only reason (Interview two, Senior Consultant, single-site agency).

This situation was common, especially among smaller single-site or regional agencies all of which could recount times when their relationship with a local line manager had been severed due to the client firm reassigning agency selection to HR and procurement and these stakeholders selecting a different group of agencies to supply them. When this happens, the security afforded to agencies due to strong relationships with line managers becomes effectively valueless as decision making power is removed from these stakeholders. Despite

the strength of this relationship the formal contractual obligations initiated by central departments overrides this relationship in the majority of cases and this invariably favours agencies which meet the criteria of agency selection set by HR and procurement. As these quotes demonstrate:

> A lot of larger agencies would sign a contract and it would go out to the line managers to say that you can only use this agency because we have a contract in place ... so they [the line manager] could go to another agency that they had been working with but HR or procurement wouldn't pay that other agency. There are situations where they have set contracts up and you can't go out of the contract unless that agency can't fill it or they are not performing (Interview 35, Area Manager, multinational agency).

> ...we have got lots of clients that would be more than happy to use us and want to us because we have supplied them in the past but can't and they [line managers] are not allowed to because we didn't go in at a low enough margin with HR (Interview 26, CEO, large national agency).

Table 5.1 The Three Buyers of Agency Labour: Line Managers, HR and Procurement

Actor	*Selection criteria*	*Relationship and agreement with TSA*	*Representative quotes*
Line manager	Speed of supply, quality of temporary worker, 'regular' temps	Relationship: informal with consultant daily interaction trust based insecure facilitates quick placement Agreement: Informal Word-of-mouth 'nothing in writing'	'...if you don't get on with the warehouse manager and they don't like you then they will just go and deal with someone else.' (Interview 20) 'Your warehouse managers are in constant arguments with HR because he has got an operation to get product out and his HR want to keep delving in on things.' (Interview 20) 'Operations [line managers] tend to be concerned with; 'do we get the right quantity, and broadly speaking, quality of staff?' ...everything else comes secondary. Operations just want the right people at the right time.' (Interview 61)
Human resource manager	Compliance checks, cost, standardised procedure	Relationship: formal with national sales team developed via tender or formal bid Agreement: contractual national agreement (see section 5.4.2) master vendor, PSL or neutral vendor (see sections 5.5.1 and 5.5.2)	'HR don't actually know what the role is themselves, often they will ask us. They will tell us they have this role and can we fill it but they don't give us much information really.' (Interview 21) 'HR tend to have a look at the softer side of recruitment and what surrounds the processes driving it and so on and so forth.' (Interview 61) 'Often HR are making decisions along with procurement but then they are not involved in the day to day recruitment.' (Interview 29)
Procurement department	Cost savings, minimising number of agencies to increase volume and leverage buying power	Relationship: formal relationship with national sales team or neutral vendor developed via tender or formal bid Agreement: formal contractual assignment of neutral vendor	'As soon as you started to see volume spend going to agencies, procurement started to get involved and that was when the contracts were put in place. ...as soon as you get procurement doing a tender process it is very very rare that the price doesn't come down.' (Interview 64) 'There is a conflict between operations and procurement all the time, procurement want lower prices but lower prices invariably mean lower quality ... and operations want high quality people.' (Interview 64) 'The procurement guy would look at the charges and the pay rates and he has a strong position in that he can chose which agency to use ... so if any agencies are more expensive ... then he has the power to move them off the contract.' (Interview 21)

Source: Author

Moreover, this shift in *who* within the client firm selects the supplying agency has had a fundamental impact on how agencies deliver flexible and competitive staffing solutions to the user firm. When being selected by local line managers agencies were primarily judged on speed and quality of temps. But, agencies noted that when HR managers or procurement departments 'get involved' the emphasis shifts to cost and compliance. As such, agencies bidding for new business via tenders with HR and procurement departments had to promote their ability to reduce cost and carry out procedural requirements – they had to press HR's and procurement's 'hot buttons'. Whereas, agencies targeting clients in which the line manager determined agency selection had to be able to provide suitable temporary workers quickly. Meaning that the agencies which were chosen by line managers may not be the same agencies selected by HR or procurement departments and *vice versa*. In light of this, I argue that *who* within the client company decides the criteria for agency selection can have a significant impact on which agencies work with which clients. In this way this research makes an important and, to date, undocumented contribution to our understanding of the TSI. By focusing on the stage of agency selection within the recruitment process and more specifically who is responsible for agency selection within the client firm we can determine what aspects or benefits the agency will have to sell or promote in order to meet these criteria. Agencies have to be able to provide fast service and quality temps to win business with line managers, and standardised administrative procedures, compliance checks and competitive margins (often very slight) in order to win business when HR and procurement. Therefore, we can expect that some agencies will appeal to one group more than others and this will have an effect on which agencies work with which clients and how the TSI is structured – this argument is developed in Chapter Six in which I discuss findings from the research that show different sized TSAs are better adept at meeting the criteria of different client stakeholders.

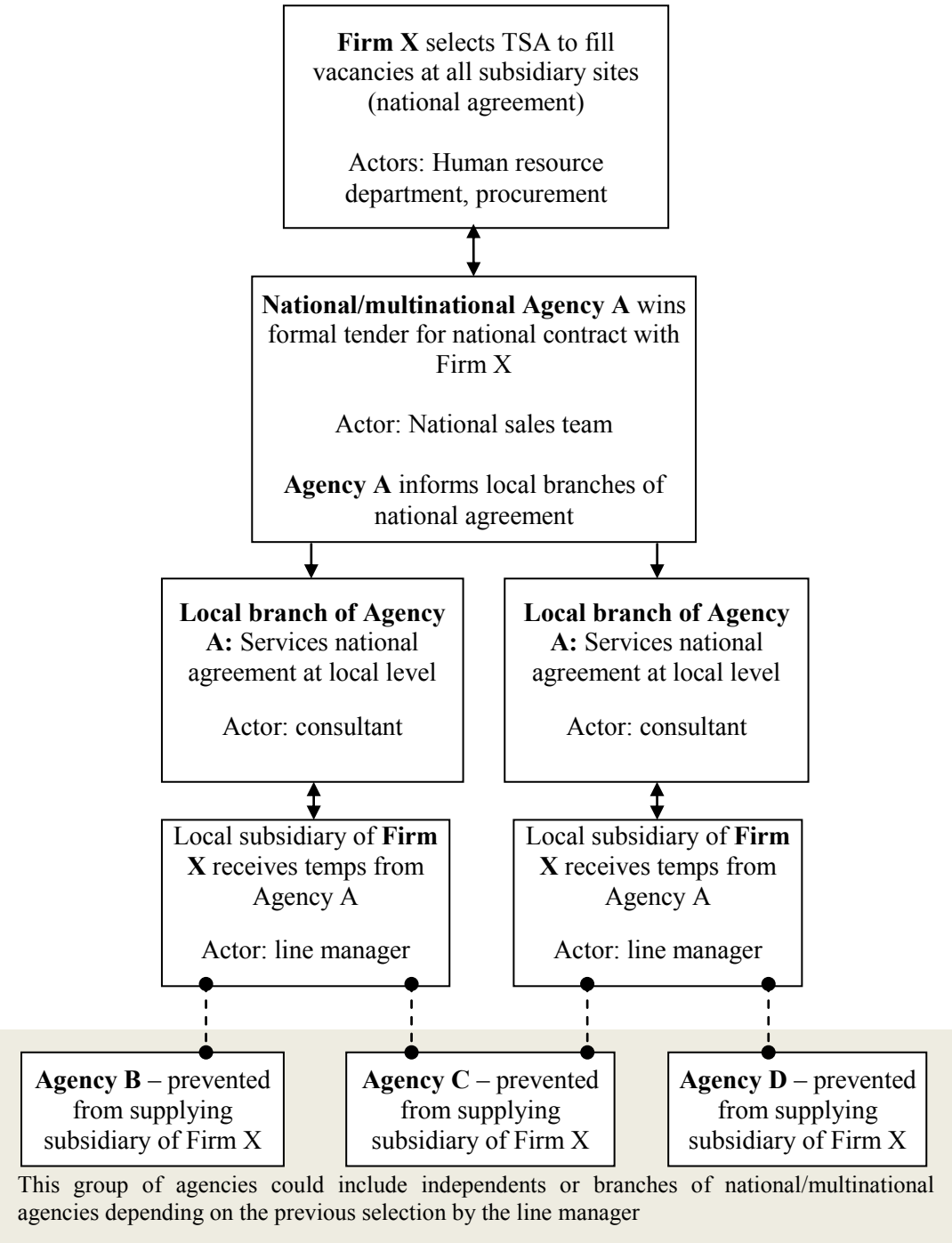
5.3.2 National agreements

One outcome of centralising agency selection is the adoption of national agreements. These agreements may be favoured by central (HR and procurement) departments because they facilitate the reduction in agency rates by guaranteeing volume supply to one agency as well as standardising agency selection in all client sites. Agencies that secure national agreements deepen their functional integration within the client by becoming a strategic part of the recruitment process throughout the user firm thus making it much harder to extract or switch to a different agency. In effect they "make themselves almost irreplaceable" (Ward, 2003a:21), so much so that in some cases client companies can demand the establishment of new local branches of their national agency if they are uncertain of local suppliers (Ward, 2004). This research found that national agreements made between client and agency outside the local level (normally by national sales teams and head offices) can have a significant impact on the activities of agencies locally, particularly on local branches of the national agency. Although local branches of national and multinational agencies sit side-by-side smaller independent agencies, their presence needs to be understood within a wider context of national and global competition and as part of a much larger network. As a result of this, the local branches of national and multinational agencies can function differently to smaller independent TSAs. However, the autonomy of consultants within local branches of national agencies means that these local branches can also demonstrate similarities to smaller independent TSAs and in some circumstances this can undermine or contradict the strategies of the wider organisation.

Under a national agreement line managers within all subsidiary sites of the client firm are contractually obliged to use the national agency. National agreements benefit agencies with large branch networks and as Ward (2003a:22) notes they can mean that "local independent

agencies lose business". The establishment of national agreements can supersede or sever existing local relationships between line managers and agencies and change the basic recruitment process (see Figure 5.2).

Figure 5.2 The Process of Recruitment Following a National Agreement



Source: Author

As Figure 5.2 demonstrates a national agreement can mean the incumbent agency is no longer able to supply the client due to an agreement made elsewhere by another agency. This agreement is brought into force throughout all client sites regardless of the length of successful supply or the strength of the relationship at the local level. Indeed, many of the smaller independent agencies in Birmingham discussed their frustration at the frequent loss of their clients to national agreements:

> We got up to 85 [temps] and we ran that for three years and we got into a scenario where we had got 85 in one [site] and about 40 in another and it was around one company and then it all stopped because they had a new personnel manager in and although we were doing a brilliant job he liked Best Connections and then a month later all of our temps had to stop and Best Connections took over and he said; 'it's nothing to do with you, we have got a *national agreement*' ... So we have learnt not to have all our eggs in one basket (Interview three, Owner, single-site agency).

As this quote demonstrates the centralisation of recruitment and the increase in national agreements has placed added pressure on smaller agencies (unable to supply via an extensive branch network) to develop numerous clients that use small numbers of temps in order to secure as many revenue streams as possible and counter the risk of client loss due to national agreements. One result is that smaller agencies begin to expand into different sectors as they attempt to 'pick up' new vacancies in as many areas as possible. This was reflected in the fact that 13 out of the 17 smaller single-site industrial and driving agencies I spoke to in Birmingham also supplied *ad hoc* clerical positions or more skilled roles within the sector such as tool makers, shift managers and welders. As such, the structure of the TSI at a local level can be influenced by the presence of national agreements not only in terms of squeezing margins but also by forcing independent agencies to expand into new sectors.

Furthermore, owners of smaller independent agencies noted that it was more difficult to gain access to larger user firms because centralisation and national agreements had increased the use of formal tenders and bids for agency selection. Independent agencies noted that their limited resources, compared to large national agencies, limited their ability to even apply for some types of business or develop relationships with the 'right' people within the user firm:

> It is very difficult for small companies nowadays because before a lot of our time was spent going to the big industrial estates and getting ourselves seen, but now they [larger agencies] have them [clients] all locked down. It is very difficult to go up to companies and say; 'we are a nice little agency, use us!' But five years ago we could do that (Interview three, Owner, single-site agency).

It was not only independent agencies that found it difficult to win certain business due to increasing centralisation. Local branches of national or multinational agencies were unable to win national contracts at the local level and had also experienced losing long-term business due to national agreements won by other agencies. This meant that at the local level many of the larger national and multinational agencies acted similarly to smaller independent agencies by building strong relationships with local line managers and not trying to win large scale contracts with clients. Instead, national agreements were negotiated by national sales team and many larger agencies "have teams of dedicated people who only bid for these contracts all day long" (Interview 64). As the branch manager of this national agency explained:

> I wouldn't be in a position to win it [national contract], because we just deal at the local level. They will go to the national head office in London and discuss a national deal, whereas I would only be able to discuss a local deal (Interview seven, Branch Manager, large national agency).

When asked what type of business they instruct their branch managers and consultants to try and win the CEO of this large national agency explained:

> Small companies, that's what we tell them, five to ten users, lots of them, local, much less hassle, more margin, more controllable, less legislative problems – easier work. But, you can't get the volume so much, that's the problem (Interview 26, CEO, large national agency).

Local branches of larger agencies are unable to win national or large volume contracts in much the same way that smaller independent agencies would struggle to win this business. Moreover, consultants within local branches of national or multinational agencies are instructed to pursue smaller *ad hoc* business. In this way, at the local level branches of larger agencies operate in a similar way to smaller independent agencies by trying to develop business with *ad hoc* users. By examining the interactions between agencies and their clients at a local level it is possible to see similarities between large national/multinational agencies and smaller independent agencies which has not been discussed in the existing literature. This research shows that the centralisation of recruitment has changed parts of the basic recruitment process such as the development of national agreements and in some cases redefined the criteria for agency selection. Nonetheless, within local branches of larger national and multinational agencies this has not changed the type of business they are trying to win locally. Moreover, although many of these agencies service national agreements they are not in a position locally to *win* these types of contracts. As such, on a day-to-day basis the local branches of agencies of varying size would appear to function in a similar manner and the development of national agreements has not changed this. Therefore, understanding the role of these agencies within the local labour market needs to take into account what other ways these contractual agreements, made elsewhere in the TSA, are affecting the functioning of agencies locally. The following section considers the effect of two common types of contractual agreements, other than national agreements, which have altered the ways in which agencies interact with their clients at the local level.

5.4 The contractualisation of the temporary staffing industry

The centralisation of the recruitment process has formalised the relationship between larger user firms and supplying agencies and with this, the role of large regional, national and global contracts has increased within the TSI (Ward, 2004, 2002a). The research in Birmingham reinforced this with participants verifying that large scale volume supply was often based on a contractual agreement between client and agency ensuring greater security *vis-à-vis* the supply of smaller numbers of workers. This is due to the size of the client account and the risk associated with non-payment or the client moving to another agency at short notice. As the amount of volume users has grown agencies argued that "over the last couple of years everything has gone contracted" (Interview 21), for example:

> ...because volume increased [for temps] it started to appear as a very high spend for companies. ...as you started to see that spend going to agencies, procurement started to get involved and as soon as procurement got involved that was when the contracts were put in place (Interview 64, Non-executive Director of national agency and Ex-COE of multinational agency).

These contractual agreements between agencies and clients can take multiple forms and, as discussed, national agreements are one common type. However, managed services have also burgeoned within the TSI in the last 15 years (SIA, 2010). Managed services involve one company – the managed service provider (MSP) – taking primary responsibility for managing a user firm's contingent workforce including tasks such as the management of supplying agencies, order distribution, supplier selection and consolidating billing and payroll. The MSP can be a supplying agency but may also be an independent organisation not involved in the direct supply of staff. MSPs aim to reduce the cost of recruitment and manage the overall process of staff supply, unsurprisingly therefore, the use of MSPs has seen steep adoption rates as procurement and HR departments have become increasingly influential in the

recruitment process for temporary labour (SIA, 2010). Reluctant to miss out on the increased functional integration offered by a managed service solution many of the larger TSAs have perused mergers and acquisitions with existing MSP thus allowing them to provide more integrated workforce management solutions and further increase the security of their position within the client form.

Two common types of managed services are master and neutral vendor agreements (these are defined and discussed in the sections 5.4.1 and 5.4.2). Subcontracting relationships and agency hierarchies associated with master vendor and neutral vendor agreements have shaped and re-shaped the TSI within Birmingham and can affect the role of different agencies within the local labour market. To date, the existing literature has addressed some aspects of these agreements such as the second-tier arrangements made through master vendors (Ward, 2002a), but there is little acknowledgement of how these agreements are linked to the shift in agency selection decisions within the client firm and the way they have restructured the TSI, particularly with regards to its polarisation. Furthermore, there is no mention of neutral vendor agreements within the existing temporary staffing literature, yet this research found them to be an increasingly important part of the TSI in Birmingham.

5.4.1 Master vendor agreements

Under a master vendor agreement the user firm will select one primary agency – the 'master agency' – to supply their entire cohort of temporary workers in one or all of their sites and across single or multiple occupations. These agreements are formally made by central departments within the user firm and in many cases constitute a national agreement. But, there was also evidence that master vendor agreements could develop more informally as a way for line managers to manage their own recruitment process at the local client site. A master vendor agreement allows one agency to manage the client's staffing requirements by filling

the majority of vacancies themselves and subcontracting the rest to a lower level of agencies – the 'second-tier'. This means the line manager does not have to contact multiple agencies when they need staff, thus simplifying the recruitment process and reducing the time and 'hassle' associated with dealing with multiple agencies yet, still guaranteeing they will receive 100% fulfilment due to the second-tier arrangement.

Using one agency to provide all temporary workers guarantees a standard pay rate amongst all temps thus reducing arguments between workers provided by different agencies at the workplace. It also assures all workers are processed according to the standards and procedural checks agreed with the master agency thus reducing the chance of non-compliance. Furthermore, it provides one agency with the majority of supply thus allowing the user firm to use increased buying power as leverage to reduce agency margins. A master vendor agreement also means that the user firm receives invoices form only one agency thus decreasing the chance of payroll discrepancies and the convoluted process associated with paying multiple agencies on varying charge rates. Finally, assigning a master vendor is often used as a means for HR and procurement departments to regain control of the recruitment process by removing the decision of agency selection from the line manager and allowing the master agency the right to select other supplying agencies. As a result there is less chance that unforeseen production spikes or urgent staff requirements will compel line managers to use multiple agencies with varying charge rates and compliance procedures, this pressure is duly passed to the master vendor who is contractually obliged to maintain previously agreed charge rates and compliance checks.

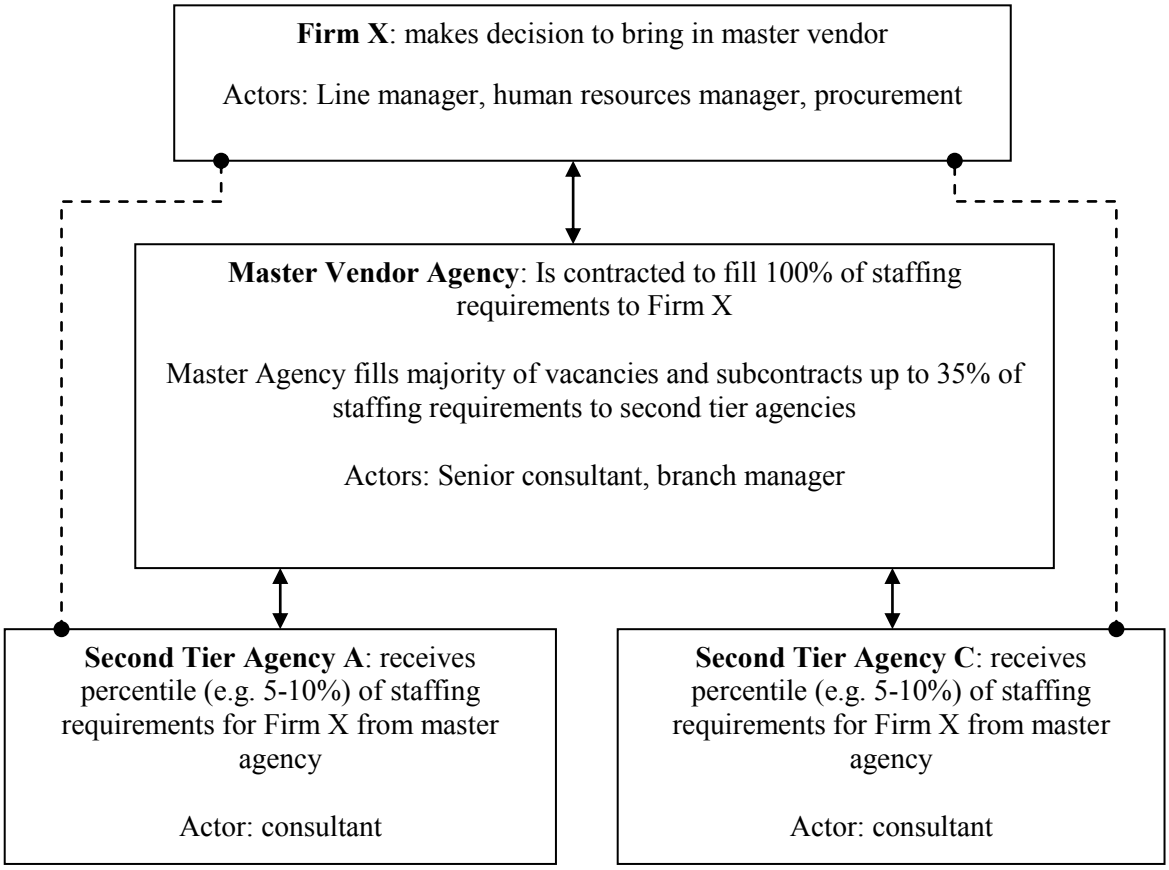
The intricacies of the master vendor agreement develop as the master agency subcontracts a proportion of the client vacancies to 'second-tier' agencies. Often these subcontracted

agencies will be smaller than the master agency and receive a much lower percentage of the client requirement, for example:

> [Our agency] tend to work under master nend which means we say to the client we can give you the platform and the infrastructure of managing your national supply, please be aware we expect to fill 65-70% of it ourselves ... and we will manage certain second-tier relationships (Interview 36, MD, large national agency).

Many participants described the position of the master vendor as that of a "middle man" (Interview 21) sitting between the client firm and other supplying agencies (see Figure 5.3).

Figure 5.3 The Recruitment Process Under a Master Vendor Agreement



Source: Author

The authority of the master agency is intensified because the second-tier group of agencies is often contractually restricted from contacting the user firm directly meaning they can liaise only with the master agency. For example:

> That relationship with the line manager is very very important to most companies. When the master comes in there is a tendency for the master to take away that relationship, so if you [the client firm] want a temp you have to make contact with the master and you can't go independently through the local agency otherwise you have got a problem with the controlling of your invoicing. So the client wants consolidated invoicing and a consolidated single point of contact with the one agency, so what happens is the master actually asks all the independent agencies to only deal with them and not the client (Interview 64, Non-executive Director of national agency and Ex-COE of multinational agency).

Under this arrangement the master agency, in effect, assumes the position of 'client company' for the second-tier of agencies because the master agency passes down requirements and screens all temps provided by the second-tier agency before placement in the user firm. In some cases this research revealed that smaller agencies were happy to receive a large proportion of their business as a second-tier agency:

> ...we supply three or four different *agencies* with drivers. ... Since 2003 to 2004 we have supplied to Asda *via* another agency and to the NHS *via* another agency. There are probably six or seven [clients] that we have supplied to across different areas that all have this one big agreement [master vendor]. It's about treating them [the master agency] as a client, because to be fair, Premier Employment and Prime Time [two large master agencies] are a lot safer to supply to than Joe Blog's Transport directly because Joe Blogs Transport will hire a load of drivers and go bust. ...if you treat them [the master agency] as a client and don't think 'oh, they will nick all our drivers' you get a good relationship with them. They don't mess you about because they are almost part of the transport company (Interview 33, Regional Manager: small national agency).

> It is reliable business [second-tiering], we supply drivers to Argos, its low margin about £2.00 an hour but it's reliable. ...we can make enough money second-tiering to Argos on

> just that account alone. If we forgot everything else and just worked on second-tiering to Argos we could get 20 to 30 guys in there a week, just second-tiering, which would pay for us all here (Interview four, Owner, small regional agency).

In this way some of the smaller agencies that are unable to supply volume users can benefit from the stability associated with the contractual agreements between larger user firms and agencies by becoming a second-tier agency. As such, the insecurity experienced by many smaller independent agencies – as a result of the dependence on *ad hoc* supply and the informal client-agency relationship – are mitigated by tapping into the regular, secure and formal arrangements between master agencies and large scale users. This finding makes an important contribution to our current understanding of these second-tier relationships. Ward (2003a:25) argues that in Manchester second-tier agencies are happy to embark on these agreements in order to "take advantage of the inability of [their] competitors" whereas, this research shows that it is more subtle than this. In Birmingham the research demonstrates that the contractual stability provided by master vendor agreements and the subsequent second-tier arrangements are attractive to agencies which may otherwise have to rely on more informal and insecure relationships with line managers. As such, only by examining the dynamics of the relationships between agencies and different actors in the client firm can we understand why the TSI is structured as it is and why some agencies are willing to enter into second-tier arrangements with their competitors.

Similarly there are advantages for the master agency of securing a master vendor agreement. Although there are the obvious gains associated with attaining the majority of supply there are other benefits. Having a master vendor agreement means the master agency has a greater chance of filling all client vacancies due to their ability to subcontract recruitment to second-tier agencies. This means the client firm is less likely to approach other agencies in order to

fill the booking. Furthermore, this agreement allows the master agency to contractually restrict other competing agencies from directly contacting the client company. As this agency explained:

> It [the master vendor agreement] means that all the other agencies have to go through us. Yes, it may put other agencies' noses out of joint, they may have been working with them [the client] for a long time and now they have to go through us, they may have a three or four year relationship, but the master vendor gives us complete control, it allows us to put up a ring fence around the customer (Interview 25, MD, mid-sized regional agency).

Not only does the master vendor agreement allow the master agency to circumvent competition by keeping the client company continually satisfied with their services (due to the failsafe supply provided by the second-tiers) thus preventing the client approaching other agencies but, by acting as a barrier through which other agencies must go in order to supply the client the master agency can also keep other agencies from approaching the client. In this way master vendor agreements 'ring fence' clients and prevent other agencies from developing a relationship with them. Moreover, if these smaller agencies do attempt to approach the client firm directly they risk losing their position as a second-tier agency, for example:

> With [national agency name] we supply them at TK Maxx, Marks and Spencer's and the NHS. So if we picked up the phone to the NHS and said; 'you have three drivers off us' ... and we tell them 'why don't you use him from me direct and I will knock 25p an hour off the rate', but you can't because it is a wider agreement with the NHS and [national agency name], but also, *it would completely stop our supply to all the other clients through that agency* (Interview 33, Regional Manager, small national agency).

The growth of master vendor agreements in the last decade has caused changes within the TSI at a local level. In many cases it has allowed larger agencies to 'ring fence' volume users and restrict smaller second-tier agencies from developing a relationship with these clients. Furthermore, it has severed previous relationships between local line managers and agencies

and as such has meant that these smaller agencies may be limited to smaller volume *ad hoc* supply or supply as a second-tier agency. In this way master vendor agreements have enhanced the polarisation of the temporary staffing market by facilitating the use of one large agency which will control and manage total supply of temporary staff. To do this they use the host of smaller locally operated agencies to create a hierarchy of supply which not only secures the status of the master agency but also prevents smaller independent agencies from developing relationships with large clients. Alongside master vendor arrangements the use of neutral vendor agreements is also growing within the TSI, these differ from master vendors and introduce new independent organisations into the recruitment process.

5.4.2 Neutral vendor agreements

Neutral vendor agreements are invariably undertaken by central departments within the user firm to reduce costs while standardising and controlling the "complicated, unruly and costly recruitment process" (de Poel, 2013). A neutral vendor is an independent organisation employed by the user firm to procure supplying agencies and set uniform standards and rates amongst them.[30] This is done by reducing the number of agencies supplying the client thus increasing vacancy volume per agency and facilitating the reduction of agency margins due to increased buying power. The supplying agencies are called the 'panel' of agencies and all operate according to the same rates and compliance standards. Having established panels of agencies, which are used by the prospective depots, the neutral vendor effectively ensures that "the financial agreements and financial negotiation has been removed from a local level" (Interview 61). Therefore, the neutral vendor agreement fundamentally changes the

[30] It is possible for the neutral vendor to be an agency (usually a large multinational) but their status as a neutral vendor is dependent on them not being an active supplier of temporary staff. The main neutral vendor discussed in this thesis (de Poel) is an independent organisation.

relationship between agencies and line managers by removing some of the benefits associated with this local relationship such as the ability to negotiate higher margins.

Following the selection of a panel of agencies the neutral vendor will introduce an electronic vendor management system (VMS) which standardises the payroll and invoicing process associated with the supply of temporary agency staff. This means that all supplying agencies must submit temps via an electronic system which verifies compliance checks and charge rates before the temporary worker begins employment. The VMS minimises payroll and compliance irregularities by standardising the recruitment process across all supplying agencies. For example:

> e-Tips [VMS] is an electronic timesheet and processing system that's web based, all the charge and pay rates will be in the system, so the only thing that is input each week is hours ... and we have never reissued an invoice in ten years of trading. So agencies reissue them at a rate of 15-25%, ours is zero, it's literally zero, we have never reissued one. So there is a huge cost and efficiency saving for the client (Interview 61, CEO, de Poel).

Agencies outside the panel, those that have not been selected by the neutral vendor, are prevented from supplying the client because they have not been granted access to the VMS. This means they cannot process temps via the necessary electronic channels and will therefore not be paid for any placements. In this way neutral vendor agreements ring-fence client companies and prevent 'off-panel' agencies from placing temporary workers with them (see Figure 5.4). As such, the neutral vendor agreement differs from the master vendor because the aim here is to minimise *cost* rather than *secure* client business for a master agency. For example:

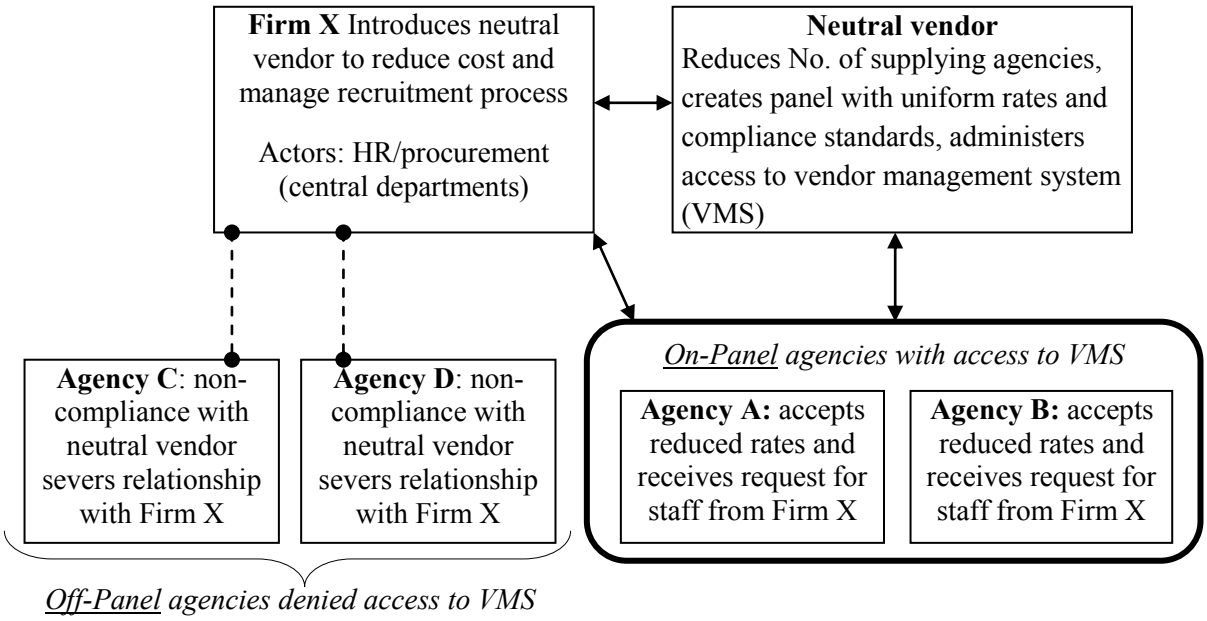
> ...what [Neutral Vendor X] do is they come in and set realistic profit margins and say; 'you can only come on the panel by actually adhering to these very clear margins' ... they

> said; 'you are now going to get your business, not from screwing the company on huge margins but by volume, and here's the thing, we will give you economies of scale because there is only five of you on the panel' (Interview 46, Regional HR Manager, national haulier).

Unsurprisingly, the reduction in agency rates under a neutral vendor is more dramatic than in the master vendor agreement because the neutral vendor is not a supplying agency and therefore has no incentive to keep agency margins high. In fact, neutral vendors take a percentage cut of the savings they achieve for clients on agency spend and therefore have a motivation to reduce agency margins as much as possible. Indeed, agencies and clients noted that; neutral vendors "have been so successful in screwing the agencies that not only have they reduced the agency costs for clients but they have then taken a nice cut themselves" (Interview 46). As a result, incumbent agencies regularly experience steep reductions in their rates after the introduction of a neutral vendor and in many cases refuse to supply to the client due to the minimal size of the margins available.

The neutral vendor agreement also differs from the master vendor agreement because the neutral vendor must give equal opportunity to fill each order to all panel agencies and not "on its own accord, push orders to itself or any other vendor" therefore "the presumed advantage of a vendor-neutral model is that the best vendor with the best candidate will fill each position" (SIA, 2010:5).

Figure 5.4 The Recruitment Process Under a Neutral Vendor Agreements



Source: Author

De Poel is the UK's largest neutral vendor and dominates the industrial and driving sector. This research revealed an overwhelming negative opinion of de Poel from agencies, many of whom regarded them as "the leach on the back of agencies" and "the biggest instigator of cutting and eroding margins that the industry had ever seen" (Interview 25). Nonetheless, many agencies were forced to "deal with them through really gritted teeth" (Interview 31) due to their prevalence amongst large scale users. In conjunction with the downward pressure that neutral vendors have had on agency margins, this research identified other ways in which neutral vendors have affected the TSI and the role of different agencies within the local labour market.

One of the major impacts relates to which agencies are capable of working with client firms that use neutral vendors. Many firms that use neutral vendors are larger users of agency labour and have multiple sites. In the absence of neutral vendors, recruitment in the subsidiary sites of large firms can be chaotic due to the informal and unregulated relationships between

line managers and agencies at each site. Large scale users can introduce a neutral vendor to standardise and control this situation throughout all of their subsidiary sites while substantially lowering the cost of recruitment. The centralisation of agency selection into departments such as HR and procurement (and away from line managers) has been one of the driving forces behind the recent growth of neutral vendors, as the CEO of de Poel explains:

> ...who appoints us is normally the operations directors' board; the procurement director, financial director and HR director, normally someone at director level position. Most of our clients do consult with local stakeholders because they will not want to force something, they want an operational buy-in at least, but, *we tend to sell to the centre, we don't sell at a local level* because we offer a nationwide solution, so that's what we tend to do (Interview 61, CEO, de Poel).

The benefits that neutral vendors 'sell' to client companies are based on the priorities of this central group of actors. Unsurprisingly the research revealed that agencies which were better equipped to satisfy the criteria prioritised by central departments were more likely to get on-panel with a neutral vendor. Yet, some smaller agencies which may not benefit from increased volume but relied on the security of business accorded to them by strong relationships with line managers were less likely to be able to work with clients via a neutral vendor. This has an impact on which agencies work with which clients within the local labour market. In this way the role of different TSAs within the local labour market can be affected by which agencies meet the demands of central departments and which meet the demands of line management teams.

The cost savings provided by a neutral vendor agreement depend on the vendor reducing the amount of supplying agencies and increasing volume to the remaining suppliers. This often means that smaller agencies with limited resources are unable to supply in the volumes required to compensate for the reduced margins. As a result, smaller independent agencies do

not benefit from the increased volume accorded to on-panel agencies and subsequently many of the agencies working on the de Poel panels tend to be mid-sized regional or national agencies. As the CEO of de Poel explained:

> It is your mid-sized owner managed recruitment business, somewhere north of three branches to 25 to 30 branches that tend to benefit the most from us [de Poel], they can pick up additional business. ...but if you have just got one branch it is very difficult to gain out of de Poel, you tend to find the clients you've got, you've still got them but on a lower margin, so not a great gain. ...the huge nationals see us as competition; your Manpower's of this world will see us as completion. ...mid-sized owner managed businesses we find are the best because they are interested in us, they can see the growth, they get more volume ... they make lower margins out of it but they will profit over all, they have got the wherewithal to be able to supply the client and they have got more than one branch (Interview 61, CEO, de Poel).

This research demonstrates that neutral vendor agreements influence the TSI at a local level by taking control of the recruitment process from *within* the client firm and 'locking-out' the majority of agencies by creating a panel of agencies with access to the VMS. In this way they can guarantee volume supply to panel agencies and restrict other agencies placing temps. Whereas the master vendor agreement prevented second-tier agencies from developing a relationship with the client firm by ring-fencing the client and contractually restricting other agencies from contacting them, the neutral vendor agreement does not prevent supplying agencies from contacting the client firm. Instead, it ring-fences their ability to negotiate higher rates by insisting that all supplying agencies be approved by the vendor and granted access to the VMS, thus making it imperative that agencies secure volume instead of higher margins. Consequently, agencies with the recourses and infrastructure to supply large volumes of agency staff may benefit from neutral vendor agreements, whereas, those with limited resources will most certainly lose out.

Neutral vendor agreements increase business for panel agencies by facilitating supply in multiple client sites. This means mid-sized or regional agencies can develop new business in different locations without having an extensive branch network throughout the whole country. For example:

> They have driven the margins down, but they have opened doors to companies like ours who may have struggled to get on board with somebody like Sainsbury's or Carlsberg or companies like that. So, yeah you lose your margin in one area but we are now dealing with two Sainsbury's sites (Interview 20, Regional Director, large regional agency).

This research argues that the effect of neutral vendor agreements presents a subtle divergence away from the conventional polarisation of the TSI currently suggested in the existing literature (Peck & Theodore, 1998, 2001). My research reveals that these agreements allow mid-sized agencies to develop secure volume business with large scale users at multiple client sites, which, prior to neutral vendor agreements, may have been difficult to do due to their limited branch network. As such, by introducing a neutral vendor agreement, large client firms increase the possibility for mid-sized agencies to supply them.

Despite this, the research shows that neutral vendor agreements do limit the ability of smaller independent agencies (i.e. those that cannot mitigate low margins with large volume), to supply large clients. So, while these agreements may muddy the polarisation of multinational, national and mid-sized agencies this research argues that they *reinforce* the polarisation of very large and very small agencies, for example:

> From my point of view, as an independent, I can't work with some of the bigger clients. If I call Sainsbury, a big user, and say I would like to supply you they will tell me that I have to go through de Poel; I then have to go onto de Poel's panel and I can't do that because I would have to work at their margins and they are very very slight (Interview one, Owner, single-site agency).

Despite the barriers that the neutral vendor and master vendor agreements present for smaller independent agencies this research suggests that in many cases the implementation of these agreements is a complex and chaotic process which can be altered by the actions and interactions of agencies at a local level. Indeed, many participants recounted instances of resistance from local branches of different agencies towards these wider agreements. In the following section I argue that the actions of agencies at the local level can subvert or change wider processes of centralisation and contractualisation within the industry and therefore re-shape the TSI and the role of some agencies within the local labour market.

5.5 Local resistance and subversion

Ward (2003a) has argued that at the low-end of the TSI amongst the mainstay sectors of temporary staffing such as low-skilled clerical and light industrial there are two forms of relations; formal contractual relations that occur with high volume placements and more informal relations built on trust which are prevalent when supply is just for 'ones and twos'. However, this research suggests that there are variations amongst these two types of relations which can be influenced by both formal and informal relationships and which can alter the nature of these interactions. The previous sections have demonstrated that the formal contractual relations that occur with high volume placements can alter the informal relations between line managers and agencies for *ad hoc* supply. So too, this section argues that the informal relations between line managers and consultants can alter the formal, often contractual agreements associated with volume placements.

One of the most common ways this can happen is for the agency or line manager (or both) to resist or refuse to cooperate and adhere to the wider formal agreement initiated by central departments. This can mean individual client sites 'break rank' and continue to work with

agencies outside the national, master or neutral vendor agreement. In the vast majority of cases this happens when line managers in local client sites have developed strong working relationships with their local agencies prior to the wider agreement, for example:

> The other problem with the recruitment industry is; because there is a lot of owner-managed businesses there is an awful lot of very localised cosy relationships and some of the reasons why people purchase from a certain agency are not necessarily in the company's best interests but they may be in the individual's best interests, so there is a lot of that goes on as well. So, centrally a company may take the view, in HR and Procurement, this is what we want to do and there may be *local resistance*, there quite often is: 'No, no, no, I have always used Bob from Wolverhampton, we couldn't run our operation without Bob!' (Interview 61, CEO, de Poel).

> That's one of the obstacles; some of the transport managers are resistant to give up their close working relationships that they have got with those agencies... (Interview 46, Regional HR Manager, national haulier).

Depending on the strength of the 'localised' relationship between line manager and agency it is possible that actors within the user firm can resist decisions made by central departments. Many of the TSAs interviewed could recount times when the line manager they were working with had said; "Oh I know we are on a national agreement but we are going to ignore it" (Interview three). In many cases this involved smaller independent agencies due to the importance of these relationships in securing *ad hoc* supply. However, local branches of larger agencies also showed evidence of resisting wider agreements. As the HR Manager for this client firm explains:

> The one we have had most challenges with is [Agency X] ... [our company] were using [Agency X] quite extensively across the country and we had a really good working relationship with [them] in most branches. [Agency X] are a key group of agencies that have consistently resisted going onto de Poel's panels so that was where a lot of issues occurred. What we have done, most of the depots have come away from [Agency X], reluctantly because they had a good working relationship with them, but most of them

> have weaned themselves off [Agency X] and gone with panel agencies (Interview 46, Regional HR Manager, national haulier).

In some cases, agencies would actively seek opportunities to undermine wider formal agreements and this could be a sales tactic, for example:

> The one thing I know is that every single national agreement has a weakness and with nationally agreed accounts there is always a Maverick that wants to stick with the agency that they know. So yeah, some clients have national agreements but they almost invariably have some latitude to use people like me [small single-site agency]. ... I tell my consultants to find the weakest link, the person who isn't happy with the national agreement (Interview Five, Owner, single-site agency).

The resistance or refusal to work via wider agreements with the user firm can result in the agency losing business in which case the impacts of this resistance on the wider structure and functioning of the TSI are limited. However, there was also evidence that this resistance allowed some agencies to work with clients by circumventing the wider agreement. In this way some agencies still benefited from the strength of their existing relationships with the client because they could maintain business with little change in margins while other suppliers remained consigned to the terms and conditions of the wider agreement. This was most prevalent under neutral vendor agreements, for example:

> For de Poel to work successfully they have to establish panels of agencies which are used by the depots ... however, we still have some obstacles ... they still have *out of panel spending*. They [local depots] are using agencies that are outside of the de Poel panel. ...there are two main reasons why we have got out of panel spend ... the first reason is that we have got established working relationships with an agency before de Poel came along and local management have been reluctant to give up that relationship for a panel agency. The second cause ... the agency has either come off the panel or is refusing to play ball with de Poel even though we assumed they would (Interview 46, Regional HR Manager, national haulier).

In this case the refusal of agencies to accept the terms and conditions set by de Poel and the subsequent reluctance of the local depot to stop using that agency has caused a situation where some of the client depots are working within the boundaries of the wider agreement, but others are not. As such, the chaotic and unruly process of recruitment – which the neutral vendor agreement was introduced to control – continues because of the strength of local relationships between line managers and local agencies.

There was also evidence which suggested that as well as resisting wider formal agreements some line managers and agencies would cooperate in order to sabotage these agreements with the aim of overthrowing them. For example:

> What you tend to see happen is they [the line manager] play the game, and they will say to their incumbent agency; 'I am going to make a call to you in two days time and I am going to want six people and I want them to be that, that, that and that. Get them lined up!' What they then do is to go the agency they have been told to go to, they call two hours before the deadline and tell them; 'I want six people' and obviously they say; 'I'm sorry we can't get you them'. The line manager then phones their manager to say; 'they can't do it, I have called my local person, they can get me six people, all experienced, all know what they are doing, I told you we shouldn't have changed from them, what do you want? Do you want the lorry to stay here empty, or do you want it filled?' I want instructions to be able to use them. The manager says; 'oh, go on then use them', so they play the game (Interview 36, MD, large national agency).

> There is a lot of politics about who they [the client] use. Their line managers really don't want to use this other agency because of their retention rates, not one person [temp] has stayed within a 12 week period and every placement we had made was still there. ... But, their head office was telling them [line managers] they have got to use this other agency... there is a contract that says it. The compromise has been that this other agency has two weeks before we do to fill the vacancies. But, what happens is the line manager rings us and lets us know about the vacancies, we can't submit them then, but it means we have two weeks to work on it! It is so political and it is ridiculous and the line managers are

> really frustrated because they are not getting the quality (Interview 29, Owner, single-site agency).

As this demonstrates, the resistance and sabotage by line management and local agencies of wider agreements can allow these actors to formally change the agreements between agency and client. Whereas, in some cases resistance may lead to an informal and often uncontrollable recruitment process as demonstrated in the first instances, what this tactic of sabotage aims to do is gain formal permission to use the existing incumbent by orchestrating the failure of the agency assigned by the wider agreement. Not only does this allow agencies which have a strong relationship with the line manager to maintain business with their client, but it formalises their role as a supplier, without them having to 'go round the back door' and supply informally.

Moreover, the research suggests that these informal acts of resistance can permanently influence the formal procedures undertaken by the agency controlling the wider agreement. For example, the MD of this large national agency explained that winning the wider agreement was the 'easy part' but rolling this out to local client sites was much more difficult and they had anticipated local resistance and established an 'implementation team' to facilitate this process:

> The biggest cultural issue we see is when companies decide to take the decision making power away from line managers and give it to procurement. ...it becomes one of the biggest obstacles, forget making your paperwork and invoicing look how it is meant to look, forget consistency and compliance, the biggest obstacle when we take over a new contract is changing the hearts and minds of the end users. That is *the* biggest challenge we face. ... We have an implementation team go through that process, it tends to be that all the senior people have sold the sizzle to procurement and they assume because someone gives an order from on-high everybody will do as they are told and they don't. ... You get it all the time! We face it every time we implement a new contract, every time (Interview 36, MD, large national agency).

The experience of this agency is particularly important because it highlights the fact that these informal relationships and the resistance they encourage are changing and reshaping the ways in which formal agreements are organised and implemented. In some cases agencies argued that these relationships could jeopardise the success of these agreements altogether:

> We have instances where we are the supplier and we have to take on board temps through a master vend from other agencies ... so they [other agencies] can't get the contract because we have the contract but the local site still want to work with them [local agency] and refuses not to work with those people so then we end up in the position that we have got to impose a contract that they [local agency] wouldn't sign ... and yet the site manager refuses not to use them! ... So what happens is we take the risk until we have enough balls to say; 'well we are not doing it then', which is what we are just about to do (Interview 26, CEO, large national agency).

In this instance the master agency is considering abandoning their master vendor agreement because of the resistance at a local level. These findings highlight three important issues which have received little attention in the existing literature. First, although from initial analysis it may appear that national, master and neutral vendor agreements mean that "local independent agencies lose business" (Ward, 2003a:22) and indeed this can be the case, by examining the TSI and the relationships which develop at a local level between different actors it is clear that the intricacies of these agreements are more complex than previously suggested and in some cases local independent agencies can resist the loss of business. Second, the research argues that the informal relationships which develop at a local level between agencies and user firms are actively re-shaping the TSI not only locally, but that these relationships also have the ability to influence more formal wider agreements. Finally, the ability of these informal relationships to disrupt and reshape the centralisation and contractualisation of the TSI depends on the social interactions between agencies and clients and as such these influences will vary in locally specific ways.

5.6 Conclusion

This chapter has demonstrated that the interactions and relationships which develop between agencies and client firms are complex. The industry has seen a shift, in some circumstances, away from relationships of reciprocity and trust between line managers and agencies towards more formal centralised departments. But, it has also seen a resistance to this which has re-shaped and remade the centralisation and contractualisation of parts of the industry. This chapter has also demonstrated that the insecurity and informality of relationships between agencies and line managers can mean that agencies off-set the costs of this onto temporary workers. Moreover, some agencies are more willing to accept subcontracting and second-tier agreements with competitors as a way of mitigating the risks of other less secure business. Further to this, the introduction of third party organisations, such as neutral vendors, into the TSI has changed the structure of the industry allowing mid-sized agencies to work on a national basis with large scale users and clients they may not otherwise have been able to.

The chapter has also shown that developing a more extensive analysis of the centralisation of recruitment and specifically agency selection and being more explicit about exactly who we mean by 'the client' or the 'employer' allows us to understand the complex and nuanced ways in which the TSI is structured. For example, this research has shown that 'the client' does not necessarily have a homogenous list of criteria for agency selection but instead different stakeholders within the client firm have different priorities for the supply of agency labour. As such, agencies have to understand the different 'hot buttons' of the stakeholders they deal with and sell the virtues of their services accordingly. However, the research has shown that certain relationships are less easily overridden than others and at a local level strong relationships between agencies and line managers can resist and even sabotage contractual agreements. More importantly through, the research suggests that the process of centralisation

and the subsequent contractual agreements have taken this potential resistance into account and implemented new procedures accordingly such as the implementation teams. As such, only by understanding the relationships between agencies and different actors within the client firm as well as how these relationships play out at a local level can we understand how the TSI is structured. Nonetheless, the relationship between TSAs and their clients is only half of the picture. In Chapter Six I consider in more detail the different ways in which agencies service the demands of different actors within the client firm and how some agencies may be better suited to meet certain criteria over others. In this way the research contributes to another important aspect of our understanding of the TSI. It considers how the size of agencies affects their ability to meet the priorities of line managers, HR and procurement and adds greater depth to our appreciation of how the TSI is structured and the role of different agencies within the local labour market.

6 CHAPTER SIX

Management Structure, Service Quality and Infrastructure: How Does Size Matter in the Temporary Staffing Industry?

6.1 Introduction

This chapter focuses on the supply side of the recruitment process (see Table 4.1, p.136) and the strategies used by agencies to service new and existing clients including developing new business (stage a) and sourcing/recruiting temporary workers (stage c and d). The main focus here is *agency size* which is determined using a number of variables discussed in the chapter. It was evident early on in the pilot study and the research in Birmingham that many participants considered the size of the agency to be a key influence on how they developed new business, what business they were capable of winning and how they serviced clients. The existing literature on temporary staffing has also demonstrated that the size of TSAs can have an impact on how they operate within the TSI. Much of this literature makes a distinction between large multinational agencies at the 'top-end' of the market and those smaller 'back-street' independent agencies at the 'bottom-end' but, it is less revealing about agencies which fall between these groups (see Peck & Theodore, 1998, 2001). There are other gaps within this existing literature especially with regards to exactly what characteristics of the agency's size impact how it operates in the local labour market. Academic research acknowledges the importance of size but provides little, if any, explanation of how the size of the agency is measured in these studies. Alternatively, research by industry analysts or trade bodies which does attempt to provide a measure of agency size, primarily using turnover and revenue, has been less illustrative of how these economic variables impact the different strategies or characteristics of agencies or how different sized agencies operate at a local level. As such, what we see on the one hand is academic research which provides insights into how some

different sized agencies function but with indistinct and vague explanations as to what determines large and small agencies as well as those in between. And on the other hand, there exists precise measurements of size based on economic data amongst industry analysts but little description or further explanation of why the size of agencies is important and how size impacts the way agencies operate.

In section 6.2 I explore this further by considering what the existing literature tells us about the size and activities of different agencies and how this may be applied in Birmingham. I argue that there are issues which arose in Birmingham which are not addressed in the existing literature. For example, how agencies of all sizes work with a range of clients by using different tactics to secure either *ad hoc* insecure arrangements or more secure contractual agreements. Moreover, the research in Birmingham highlighted a host of agencies that do not clearly 'fit' into the categories of size currently offered in the existing literature and it was unclear how these TSAs apply to current theories of size. As such, in section 6.3 I go on to consider three key themes that vary between different sized agencies and have a key impact on their business strategies and operational practices and their subsequent role in the local labour market. These themes are; management structure and consultant autonomy; the type of service offered by the agency; and the infrastructure and branch network of the agency. By considering these issues we can develop a more informed understanding of why size matters within the TSI and address some of the gaps in the existing literature. Section 6.4 develops this argument using the discussion presented in Chapter Five and considers how these three features of size impact the relationship between the agency and the client. I argue that characteristics of different sized agencies make them more adept at meeting the criteria and priorities of either line managers or HR and procurement. As such, the size of the agency can

impact on which clients that agency works with and this depends on who is responsible for agency selection within the client firm.

6.2 TSA size and implications

Using evidence from their study on hiring halls in Chicago, Peck and Theodore (1998, 2001) argue that the TSI is polarising between "national and multinational agencies like Manpower, Kelly and Olsten [sic]" and the "small, locally-operated and often 'back-street' temp services" (2001:476). They note that within the light industrial sector (for jobs such as packing, assemblage and machine operatives) where temps are frequently used in large volumes, agencies are beginning to fall into one of two categories which are restructuring upwards and downwards. For example, the larger corporate agencies, they argue, are moving into higher skilled occupations within the industry and developing long-term, contract based relationships with clients, these accord them a more integrated position within the client firm. As such, these agencies are *restructuring upwards* by deepening their functional integration within the client firm through reflexive relationships which may include on-site management of temps, long-term business relationships and enhanced screening of agency workers through interviews, reference checks and drug tests. In contrast, many of the locally-operated agencies, which tend to be smaller with just one site or a small chain of regional offices, gain the majority of their business amongst low-skilled occupations at the 'low-end' of the light industrial sector where contracts are uncommon, relationships with clients are insecure and agencies compete under fiercely competitive and price sensitive conditions. Within this sector agencies are *restructuring downwards*; they are operating within the "lowest echelons of the labor market", employment relations are remade daily, and emphasis is on mobilisation and distribution of minimally processed temps or 'warm bodies' (Peck & Theodore, 1998, 2001:478; Parker, 1994).

Peck and Theodore (1998, 2001) argue that the characteristics of Chicago's labour market highlight this polarisation particularly well. This is due, in part, to the locational strategies of these two cohorts of TSAs which divide the industry between the "big corporate agencies" which locate close to their large corporate clients in suburban office parks and the smaller "low-end" agencies which can be found in the disadvantaged neighbourhoods of the inner city (2001:473). As well as their locational strategies the business practices of these two factions also highlight the polarisation. The large corporate agencies, they argue, mirror the look and feel of their corporate clients in an attempt to "distance themselves from the somewhat sleazy image of the lower reaches of the industry" (2001:480). Whereas, the smaller agencies present a "no frills" approach to the supply of minimally processed temps available as-and-when required (2001:482). Other research also suggests a polarisation between the large corporate multinationals and the small independent or local agencies. For example, Ward (2005:232) argues that in Manchester there has been a "growth of smaller agencies performing their business at the lower-end of the market" and, in line with Peck and Theodore, Ward notes that the business strategies of these smaller agencies have "intensified competition at the lower-end of the market and led to downward pressures on margins". He points out that "it is not always the smaller independents who lead the race to the bottom" (Ward, 2005:232), larger corporate agencies are also using tactics which enhance cost-based competition and drive margins down thus further exacerbating the contingent and insecure nature of this part of the TSI. For instance, larger agencies are able to force out competition by taking on business at a loss for short periods to secure contracts or supply in mass volume to facilitate minimal margins.

Considering Peck and Theodore's research in relation to Birmingham raised some noteworthy issues. The research in Birmingham presents evidence which suggests that agencies of *all*

sizes are developing business across the high-end and low-end of the light industrial and driving sectors. There was a notable trend, in line with Peck and Theodore's study, which suggested larger agencies did develop secure, long-term and formal relationships with clients. But, it was not uncommon for the local branches of large corporate agencies to also have *ad hoc*, insecure and informal business with smaller clients and in some cases this constituted the majority of their business in the local branch (see p.153 of this thesis). In these situations the local branches of larger multinational and national agencies displayed similar tactics to the 'small, back-street' hiring halls of Chicago and employed strategies which intensified competition at the lower-end of the market. There was also evidence of smaller locally-operated agencies developing long-term, secure business with larger corporate clients. Interestingly, in many cases this involved smaller agencies acting as second-tier suppliers in order to become part of a wider agreement such as master or neutral vendors. Nonetheless, these smaller agencies were supplying (albeit indirectly) large corporate clients and operating amongst the 'top-end' of the light industrial and driving sector and in this way they were exacerbating increased cost-based competition and reductions in margins. Indeed, in Birmingham large corporate agencies as well as small locally operated TSAs had a mix of business within both the high-end and the low-end of the industrial and driving sector and were involved in both secure, long-term contractual and insecure informal relationships with clients. As such, although the existing research suggests that there is some evidence of relatively clear polarisation between large and small agencies, the research in Birmingham was less assenting. In light of this, the research in Birmingham suggests that the hierarchies that develop within the TSI are perhaps more complex than alluded to in Peck and Theodore's study of Chicago and that the TSI is less obviously polarised between large and small agencies.

Ward (2005) addresses this issue in part. He notes that in Manchester the agencies[31] he spoke to showed signs of convergence regarding clients, and smaller locally operated agencies had begun moving into the top-end of the market. Moreover, Ward (2005) notes that in Manchester large corporate clients were using small independent agencies on an informal basis with no contractual obligations or agreements. Here lies a discrepancy between Ward and Peck and Theodore's research, Ward (2005) suggests that large corporate clients will work with all sizes of agencies and indeed that different sized agencies will operate across the entire light industrial sector with clients of varying sizes. Ward develops the arguments made by Peck and Theodore and presents a situation in Manchester which more closely resembles that in Birmingham. However, Ward's research still does not allow for the ways in which smaller agencies develop secure and long-term relationships as second-tiers via master and neutral vendor agreements. Nor does it address the fact that local branches of larger national and multinational agencies actively target small scale and *ad hoc* users while larger clients were won through wider agreements made elsewhere in the agency. In this way the strategies and client base of local branches of large multinational agencies demonstrate similar tactics to smaller locally-operated agencies and the existing research has not discussed this. In Birmingham the differences between large and small agencies appeared more complex than suggested in the existing literature and there appears to be much overlap between the business strategies and client base of all agencies.

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[31] The agencies in Ward's (2005) study operated across a range of sectors and as such we should be cautious of sectoral differences across different industries for example agencies in his study operated within law and accountancy as well as manufacturing and clerical sectors. Agencies across different sectors are likely to show different characteristics to those in light industrial and driving because of the nature of client requirements, the skill of temporary workers and the volume of labour that is supplied daily.

Another issue which was raised by the research in Birmingham was the range of different agencies within the market place and how/where they fitted within existing theories of size. The existing literature provides examples of the very largest multinational agencies and the very smallest locally-operated 'back-street' agencies but, provides limited information, analysis or description of the business practices and operations of agencies which fall between these groups. Peck and Theodore's findings allude to an industry in which it is relatively easy to distinguish which category different agencies fit into – the large corporate agencies or small locally operated hiring halls. Yet, it was clear from the research in Birmingham that the TSI is flooded with a complex mix of different sized agencies.[32] For example, many of the agencies in Birmingham are local branches of national TSAs some of these include: The Best Connection (founded in Birmingham) which is the country's largest provider of driving personnel and fourth largest industrial agency[33] with 61 branches throughout the UK; Pertemps (also founded in Birmingham) with 100 branches nationwide; Staff Line which has over 117 locations in the UK many of which are on-site operations; Prime Time; and Blue Arrow, to name a few. In some cases these national agencies have more branches in the UK than the large multinational agencies, yet, the existing literature provides little explanation or analysis regarding how the strategies or operational practices of these large national agencies compare with the multinational or small back street agencies or how they fit into existing theories of restructuring upwards or downwards.

Furthermore, Birmingham also has a number of agencies which focus solely on recruitment within the Midlands or West Midlands region. Some of these agencies include, Extra

[32] In this first instance I use the number of agency branches to give a rough guide to the size of the agency but it is unclear from Peck and Theodore's research what measurements they use to determine size in their study of Chicago.

[33] This ranking is based on turnover from the Recruitment International's Top 100 Report which uses turnover to determine size of agency.

Personnel, First Personnel, AM2PM and Gap Personnel. These regional TSAs all have a network of offices located in or around town centres within these regions as opposed to being spread more widely throughout the UK. There were also agencies which had branches in some of the UKs largest cities but were not spread nationwide for example, Contract Options has branches in London, Slough, Staines, Reading, Bracknell, Walsall, Coventry and Birmingham thus exhibiting a Midlands focus but also taking advantage of business in other larger cities such as London. Indeed, many of the participating agencies and other agencies in Birmingham did not fit neatly into the categories of 'large multinational' or 'small back-street' as offered by the existing research. Moreover, although it may be possible to pick out the very largest and the very smallest agencies these are by no means representative of the industry as a whole. To be sure, much of the existing research *has* considered agencies of varying sizes but has provided little analysis of how size affects their business strategies, operational practices or day-to-day activities. Research which has considered the influence of size tends to group agencies at the two extremes the spectrum. As such, it is unclear from existing research where the plethora of agencies which are neither multinational nor single-site fit within the notion of restructuring upwards and downwards or whether they would be expected to function at the low-end or high-end of the light industrial sector.

6.3 Reconsidering the influence of size in the temporary staffing industry

In light of the above it is clear that Birmingham's TSI exhibits characteristics which are not addressed in the existing literature. Although it was clear in Birmingham, as the existing literature suggests, that the TSI is developing its own hierarchies, I argue that in order to understand these hierarchies and how the industry is structured we need a more in-depth understanding of what it is that distinguishes agencies of different sizes and how this impacts

their role in the local labour market. As such, below I discuss three key issues which emerged from the research which clearly differed between large and small agencies. These are:

- Management structure and consultant autonomy
- Service quality
- Infrastructure and branch networks

These three features affect the supply side of the recruitment process, and in particular how the agency develops new business, which clients they work with and how they provide a flexible solution to temporary staffing. By considering the variations in these three features we are able to take into account the activities of all agencies in the market, not just the largest and the smallest. Furthermore, we can consider how agencies of different sizes may overlap or compare in their day-to-day strategies; both of these issues are less well accounted for in the existing literature.

Initially I used a number of quantitative variables to establish the size of participating agencies.[34] These variables included the most recent annual turnover[35] of the agency (defined as the total income earned from the business), the number of branches, the number of direct employees (consultants and admin staff), the number of temporary workers currently 'on assignment'[36] and the number of temporary workers 'on the books'.[37] Some of the smallest

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[34] This information was compiled and used to determine the size of participating agencies. This complete set of data is not included in this thesis because in some cases it would compromise the anonymity of participating agencies especially with regards to some of the largest multinationals.

[35] In each interview I asked participants the most recent annual turnover for the agency of the last full financial year. In some cases this presented issues including misunderstandings of turnover, participants not knowing the exact figure, for larger national and multinational agencies branch turnover, national turnover and company-wide turnover were often confused or not known and in some cases participants preferred not to answer. However it was possible to further assess the size of the agency using other variables as listed above.

[36] 'On assignment' refers to the number of temporary agency workers that the TSA currently had working in different client sites.

agencies had a turnover ranging from £750,000-£1million, they had one branch, one full-time direct employee (with usually another part-time member of staff) and roughly 60-80 temps on assignment and 100-150 on the books. Whereas, some of the largest participating agencies had a company turnover of over a billion pounds worldwide employed over 30,000 direct employees, had over 5,000 branches across 60 countries and well over 700,000 temps on assignment. It is clear where these two agencies fit in current studies of the TSI but most of the participating agencies in this research fell at various points within this rather extreme range. In addition to this quantitative measure of size I also asked participants what size they considered their agency to be. What was clear from this initial attempt at a typology of agencies is that although agency size is regarded as important in the TSI, it is very difficult to accurately determine the size of different agencies especially those which are not very large or very small.

As such, in addition to quantitative data I also used qualitative data from interviews to examine what characteristics participants thought were typical of different sized agencies. What was clear from this was that participants seemed unanimous in the opinion that the size of the agency has a significant impact on how it functions in the local labour market and there were some characteristics which reoccurred as key outcomes of size. Participants consistently suggested that management structure and consultant autonomy, service provision, and infrastructure and branch networks were key distinguishing features of different sized agencies. These themes and how they affect the business strategies and operational practices

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[37] 'On the books' refers to the number of temporary agency workers that the TSA had registered and available for work at any one time. Research by Forde (2001) suggest that anything from 35-70% of temps 'on the books' were 'on assignment' at any one time.

of different agencies and their role in the local labour market are discussed under the subheadings below.

6.3.1 Management structure and consultant autonomy

Interviews with agency owners and senior managers, industry experts and client companies highlighted that the management structure and autonomy of recruitment consultants at different sized agencies varied. As the research developed and after analysis of the data it emerged that there were clear differences between large and small agencies in relation to the way the agency was managed locally and the autonomy of consultants to develop their own business. This, in turn, directly impacted the business strategies and operational practices of the agency and its role in the local labour market. The research identified a trend which suggested that amongst smaller agencies[38] the agency owner played a more active role in the day-to-day running of the business including developing new clients, servicing existing clients, registering temps and training consultants. However, as agencies got larger, a management structure typically involving a branch manager, regional manager, country manager and managing director was enforced which moved the owner of the agency further away from the day-to-day operations of the company. This had a knock-on effect which meant that in smaller agencies there was less emphasis for recruitment consultants to develop their own client base as this role was often consigned to the agency owner. As TSAs got bigger there was evidence that owners would deal with the larger 'more important' clients, and consultants were encouraged to develop a group of smaller *ad hoc* users. In contrast, consultants in larger agencies worked to strict targets and assessments and were expected to

[38] This was based on the initial quantitative measures of size as well as participants accounts of "small" and "large" agencies.

develop their own base of clients thus allowing them greater autonomy in how they won new business and how this was serviced.

In smaller agencies, particularly those with only one to two branches, the owner of the business frequently occupied the role of recruitment consultant, branch manager and managing director and in some cases the owner of the agency was one of only two or three employees. Within these very small agencies participants frequently stated that the operational role of the owner, particularly in relation to dealing with clients, acted to *strengthen* local relationships and *secure* their client base. Amongst regionally focused agencies this also seemed to be the case, for example:

> ...that is where the strength of the independents in the UK lies, a lot of people that own their agencies started them 10, 20, 30 years ago and they have built very very strong relationships with employers and that is the difference; that the *owner* of those companies can touch their client base every week, every fortnight, every month and that's why a lot of them [clients] stay with their very local supplier (Interview 64, Non-executive Director of national agency and Ex-COE of multinational agency).

> When we have this kind of relationship it is very personal and we know the client very well, it is totally different to anything that Blue Arrow or agencies like that [large nationals] would do, they have lost the personal edge that we have, even our Directors [owners] are very operational and they will be out two or three times a week visiting out clients and making sure they are happy. The big national agencies, you hardly ever see the directors, they would not get involved with meeting the clients (Interview two, Senior Consultant, single-site agency).

Smaller agencies are able to reassure clients of their commitment and demonstrate that individual clients are important to them because the owner of the company deals with them directly. Participants stated that this allows smaller agencies to provide a more personal and flexible approach to client demands because the company owner is able to tailor strategies or practices to meet the needs of individual clients. As the owner of this small agency explains:

> A lot of it is personal service, I treat everybody personally. I don't go out to a client with a set way of working which the bigger agencies do. They go out with a sales portfolio, a sales presenter and they have got a set way of doing things, we don't do that because I continue to get involved with the relationships. ... I make sure I get involved, I always make an effort to get involved with the clients and that's special for the clients. ...they know that they have got somebody that cares (Interview 37, Owner, single-site agency).

As agencies got larger the research found that owners became less involved in the day-to-day operations of the business and especially in the interactions with clients. Within these agencies there was a strict and embedded management hierarchy often involving regional and branch managers. Many of the participants noted that this management hierarchy had the effect of standardising the service of the agency and in many cases managers were less willing or able to provide clients with the flexibility which may be possible when the owner of the company liaises with clients. This was reinforced by the client companies I spoke to, the majority of which had also noticed that when they were dealing with the owner of the agency they received a more personal/tailored service compared to when they dealt with individual consultants in larger agencies and this was down to the role of the agency owner:

> ...when I came here I brought an agency that I had worked with in my previous company ... one particularly is owner managed and works very well because they are so good and they are so good because they are owner managed and not just that, because the woman who owns it knows her business inside out and is very responsive (Interview 44, HR Manager, international hydraulics manufacturer).

Thus, the operational role of the owner, not only as a manager within the branch but also as a recruitment consultant that liaises with and services clients, can strengthen the relationship with clients. Moreover, owners are able to provide clients with a more flexible approach to their needs due to the authority and autonomy afforded to them as the owner of the company and this also acts to improve the relationship and secure business with the client. So much so,

that in some cases (as the quote above demonstrates) clients will bring their local agency with them when they move companies.

The management structure of the agency had a knock-on effect on the role that recruitment consultants played within the TSA. Within smaller agencies individual recruitment consultants tended to have little autonomy or opportunity to develop innovative or individual techniques for building their client base. This was due to the central role that the owner of the company played in running the business. The research found that when there were fewer consultants working for the TSA and the owner of the company was operational in the day-to-day business, consultants received little formal training, had few chances to develop additional business with existing clients and were less target-driven. Instead, consultants primarily focused on recruiting and interviewing temporary workers, servicing existing clients and maintaining existing accounts and relationships.

In addition the research found that within smaller agencies consultants were employed longer, on average, than in larger agencies. The research found that within smaller participating agencies consultants had been working for the same agency for anything from five to twenty years compared to larger agencies where staff turnover is notoriously high (Clennett, 2007). In many cases smaller agencies used this to their advantage and many of them were quick to point out the advantages of having an experienced consultant, which was particularly unusual with larger agencies:

> We can't compete with those big agencies, the way that we differentiate ourselves is by telling our clients that they won't get a junior consultant, you will get a consultant with at least four years experience, with a knowledge of the market place and a knowledge of the industry who will be your account manager, they will build the relationship with you and they will get to know your business ... they won't pass any vacancies through to a 'resourcer' to deal with, they will deal with it themselves. So what we can therefore say

> is, although our brand is not as big as [large multinational agency name] or [large national agency name], in terms of the experience that you buy as a customer, you buy a minimum of four years experience from the recruitment consultants (Interview five, Owner, single-site agency).

There are two important points here; first, that in smaller agencies consultants are responsible for account management *but* the owner of the company is developing new business and pitching their services to potential clients, in this way consultants have less autonomy to develop their own portfolio of clients. And second, that smaller agencies are directly competing with larger multinational and national agencies and one way of doing this is by promoting the experience of their consultants above that of larger agencies.

Amongst larger agencies the research found that the management hierarchies often encouraged a greater degree of consultant autonomy. This was particularly evident with regards to the sales targets and commission structure in place in many of the larger agencies. In many cases the individual progress targets, weekly and monthly sales and commission of consultants was on display in the branches of larger agencies but this was not evident in any of the smaller agencies I visited. Indeed, developing new business with their 'own' clients forms an integral part of the role of consultants from larger agencies and is built into incentives such as commission. Moreover, amongst larger agencies consultants often undergo formal training; this is evident in the graduate schemes, training courses and even qualifications offered by some of the larger national and multinational agencies. As part of this training, consultants in these agencies are taught to become target-driven and are given the basic tools to develop their own client base such as, sales techniques, a confident telephone manner and skills at interacting with human recourses departments. Targets or Key Performance Indicators (KPIs) are often set by head office and rolled out nationally in all local branches of larger agencies, they can include; targets based on the number of phone

calls, client visits, placements, temps interviewed and new clients. These are often assessed on a weekly basis in open review sessions between the entire branch. This reinforces the need for individual consultants to develop their own local client base.

Furthermore, the research found that within larger agencies the consultants work to increasingly strict commission structures. This is calculated using the hourly margin of each of the temporary workers they place and would often involve a higher percentage if the temp was working in one of the consultants 'own' clients, i.e. a client they had won themselves. In many cases promotions were based on the ability of consultants to meet KPIs, hit key billing targets and build up their own client base, after which they were moved into team-leader or managerial positions. This presented some notable differences from smaller agencies, primarily the fact that consultants in larger agencies were given more autonomy to go out and sell to clients and to develop their own client base.

In relation to this, agencies and clients suggested that the autonomy of the consultants within larger agencies affected the service offered by the agency especially when compared to the service proffered by owners of smaller agencies. It was argued by different participants that this was due to the inexperienced nature of consultants from larger agencies and their focus on sales targets. Many of the participants from client firms argued that recruitment consultants, especially those from the larger agencies, were "all sales men they are all selling a service; they all say the same thing" (Interview 50). Many participants noted that the focus on targets and building up a client base meant that many consultants from larger agencies were more 'salesy' and more target driven than those from smaller owner managed agencies where this role was often taken by the owner. For example:

> I am very particular about the sorts of agencies I use, my experience has shown me that the absolutely worse end of the spectrum are the national agencies, the bigger names, and

> I know this from using them personally and engaging with people who have worked in them – they are very target driven. They are all on on-target earnings as consultants, the agencies are throwing targets at them and they have to do it. ... When I came here there was one particular [national] agency ... but I have completely discontinued using them and I have moved to an owner-managed agency and in my experience the key thing for using any agency is the consultant. It cannot be underestimated, you will have people that are very target driven and then you have the ones that are very interested in you as a client (Interview 44, HR Manager, international hydraulics manufacturer).

> You have got myself and Nick [in this small agency] and it's not the same as when I was in the nationals and Nick was regional manager and you would go out to the client and sell the level of service that you would expect the business to do, but then you are totally reliant on a young, usually quite inexperienced consultant who is bonus focused and mainly just inexperienced. But, if you were a client of ours [small independent agency] you would deal with me or Nick [owners] and what comes with that is our expertise and knowledge (Interview one, Owner, single-site agency).

These sentiments were echoed by many of the clients I spoke to and were often reinforced by the industry experts. Both maintained that larger agencies have a stronger emphasis on targets, sales and commission which subsequently means consultants from larger agencies are often more 'salesy', have greater opportunity to build their own client base but can often lack experience. In contrast, consultants in many of the smaller agencies often received a higher basic salary and there was much less emphasis on commission, targets or KPIs. Furthermore, consultants in smaller agencies appeared to serve longer terms of employment at the same agency but there was less emphasis on developing their own client base and in many cases this was the role of the owner. As such, consultants from smaller agencies were widely described as less 'salesy' and capable of providing a more personal service. As alluded to already these two variables – management structure and consultant autonomy – have a knock-on effect on the service provided by different agencies and one of the strongest trends to

emerge from the research was that different sized agencies offered different types of service to clients.

6.3.2 Service and client relationships

Participants from this research were frequently keen to point out that the service from different sized agencies was notably different. Participants attributed this to factors such as consultant experience and motivation, the role of the agency owner, the type of client agreement (national or local), and the specific margin they were working to and these factors were dependent on the size of the agency. These differences in service should be viewed as a sliding scale which changes gradually between small and large agencies. Here the extremes of either case are presented, but few, if any, agencies in this research existed at polar ends of the spectrum. Furthermore, this research does not contend that all large or small agencies show the same characteristics as discussed here. However, the research clearly highlighted a trend in Birmingham which suggested that the following aspects of service were characteristic of different sized agencies.

Smaller agencies were able to provide a more personal service to clients while larger agencies provided a more standardised service. For example, as discussed in Chapter Five smaller agencies often rely on *ad hoc* bookings for smaller numbers of temps and while this type of business is also important for larger agencies, these agencies can also rely on secure volume bookings with many of their clients. As such, participants noted that smaller agencies often required higher margins from smaller *ad hoc* bookings and were able to secure this by increasing the quality of service they provided:

> If you are supplying 400 temps a week to a company and a few of them are duff it's not such a big deal compared to if you are supplying four a week and two of them are duff, so

> everyone puts up with poor service from the big ones [agencies] and with the smaller ones you get the personal service (Interview 65, Ex-CEO of large national agency).

Moreover, the role of the owner in smaller agencies often afforded them a more personal service allowing smaller TSAs greater flexibility regarding client demands and in the majority of cases participants noted that "It's a far more personal service from the independents, its far more personal, it's not all about money, it's about good service" (Interview 59). Whereas, in many cases participants claimed that the service from larger agencies, primarily national and multinational agencies, was far less personal. For example:

> You get them [agencies] really really big and some of the service, I won't name anybody specifically, but some of the service in the huge nationals seems to be very impersonal, they don't seem to care. An owner-managed business with 15 branches, they have got the depth, even three to four branches, they know the local area, they have still got the local relationships. They know the market place (Interview 61, CEO, de Poel).

Participants noted that this "impersonal" service was often due to the consultants who, as discussed above, tended to be very sales driven and inexperienced which affected the nature of the service. In some cases participants argued that this was because "bigger companies are just about bums on seats" (Interview 21) meaning that the volume of many of the contracts demanded a faster paced less individual service. However, larger agencies were able to offer a more standardised service due to embedded company procedures which were implemented by managers throughout all local branches of the agency (this often involved a company database with pre-placement requirements such as references, licences, passport details etc.) as well as standardised company training for new consultants. For example:

> The systems are well established, they were put in early on so that means it is all standardised throughout the company. Every system is uniform, whether it be Glasgow down to Bristol (Interview 18, Regional Director, national agency).

This meant that although the service from larger agencies may be less personal than that provided by smaller agencies, larger TSAs were able to guarantee compliance checks for every candidate, standardised companywide procedures and offer standard rates across all locations. However, this meant they were less flexible in their approach to recruitment compared to smaller agencies in which the operational role of the owner often allowed for a greater flexibility in service. For example:

> [Multinational agency name] being such a big organisation is very very process driven. I would say they are more standardised branch to branch in terms of the way things are done and the way the business is managed. At [independent agency name] they allowed a lot more individuality and a lot more flexibility (Interview 28, Divisional Manager, multinational agency).

Further to this, national agreements created a particularly interesting dynamic which could affect the service provided by larger agencies. As discussed in Chapter Five, national agreements are predominantly undertaken by larger agencies which have a network of office locations throughout the UK capable of servicing clients on a national basis. In this case consultants within the local branches of larger agencies are 'handed down' contracts, by a national sales team, to service at the local level. In many cases participants argued that this can affect the service that the consultant provides to these clients. This is often due to the lower commission and greater attention that these contracts require as this participant explains:

> ...if you asked any of the consultants; 'honestly, do you actually want this [national agreement]?' The majority of them would say 'no'. So, they are agreed nationally but when it comes to servicing them, the consultants are on a commission and sometimes what they are servicing they are not getting back what they are putting in (Interview 37, Owner, single-site agency).

Unsurprisingly, consultants in larger agencies which rely on significant additions to their salary from commission are less inclined to service national agreements with particularly low margins (national agreements frequently have very low agency margins because of the volume of supply guaranteed on the contract). This was particularly problematic in branches where the local subsidiary of the national client did not require high enough volumes of staff to mitigate small margins. Indeed, the research found that target driven consultants in larger agencies inevitably prioritised their own clients – the ones they had won locally – over national clients because the margins were often higher, thus giving them a higher billing and better commission. As such, the service quality on national contracts can fluctuate between different local branches of larger agencies. As this client explains:

> The last business I worked in was a global business and we had offices all over the UK, we tried to set up a supplier service agreement [national agreement] with one or two agencies and it just didn't work ... because to me the critical thing is about the local consultant so you might have a super price structure in place with [multinational agency] head office for example, but when you are down to your local consultant and I am a user out in Leeds and I have to work with [multinational agency's] consultant and he's completely useless. I am not bothered whether I am saving a bit of money because I am spending more money managing the consultant because the service is so bad (Interview 44, HR Manager, international hydraulics manufacturer).

This was reinforced by the branch manager of this national agency who admitted when I asked him which account he would prioritise, his own or the national account, he said; "hand on heart, *my own*" (Interview seven). He goes on to explain how national clients could lose out at the expense of locally won business:

> Obviously, for the good of the network we do our best to service that [national] customer, but sometimes the rates aren't as attractive as they could be and you could be faced with the decision where you have one driver [temp] and two bookings, a national account booking and one of my own customers, where do I place him? Common-sense would say

> that you would place him in the one that is going to give you the better margin (Interview seven, Branch Manager, large national agency).

Service from larger agencies, particularly national and multinational agencies delivering national agreements, could fluctuate between different local branches. Furthermore, the dependence on *ad hoc* bookings by smaller agencies and the operational role of the owner often meant that smaller agencies provided a more personal and flexible service in an attempt to secure these informal relationships. Indeed, in many cases participants noted that smaller agencies were more likely to develop a closer more personal relationship with their clients while larger agencies remained more formal, standardised and target oriented. For example:

> With a smaller agency you get the more personal touch for clients and candidates because with the big agencies you have so many candidates on your books that you can't always help every single one. ... Whereas, I think smaller organisations can pick and choose a little bit more. Also, with the smaller local agencies they get better rapports with managers because they are not necessarily on big national agreements and things like that, so they can speak to managers directly, there is more of a personal touch (Interview 13, Regional Manager, small regional agency).

> ...with [large national agency name] they are like car sales men; the client calls them and says; 'can I have twenty staff tomorrow?'They don't have to be polite, they don't have to be pleasant, they just say 'yeah, I will get you twenty people tomorrow'. Because they have a national agreement, they [the client] have to use them anyway (Interview four, Owner, small regional agency).

Many participants were keen to state which type of TSA they believed provided the better service, which is not the aim of this research. However, what is clear is that the vast majority of participants agreed that larger and smaller agencies offered different types of service and developed different types of relationships with their clients. Most notably, participants pointed out that service quality and client relationships depended on the size of the agency. This type of explanation for differences in service quality has not been discussed in the

existing literature. Taking into account the differences in service and client relationships between larger and smaller agencies tells us something new about how size affects the role of TSAs in the local labour market.

6.3.3 Infrastructure and branch networks

Participants also noted that a key distinction between different sized agencies was the infrastructure and branch network of the agency. Here infrastructure refers to the in-house databases, electronic referencing and compliance systems, vendor management systems (VMS) and legal and sales departments which are used within the agency as part of the business development and recruitment process. The presence and sophistication of the agency's infrastructure was determined through interviews but was also evident when visiting and walking around different agencies. Participants were keen to show me how the business works on a day-to-day basis and this involved them showing me the database and computer systems they worked with, the office white board displaying consultant's targets and various paper work which consultants used to chase leads, interview candidates or that candidates had to fill-in when registering. Differences in infrastructure affected key aspects of the TSA including: the volume of temps that could be processed and placed within client firms; whether payroll was outsourced to back-office companies which in turn could affect margins and rates; how the agency used the REC; and the ability of the agency to market their services and enter official tenders.

Many of the larger agencies had extensive databases which synced-up branches and were used by all consultants throughout the company. These in-house databases logged candidate and client details, updated events such as interviews, placements and tenders on individual candidate and client records, noted all contact with individuals and logged which consultants had conducted this, as well as ensuring that each candidate had the required compliance

checks such as references, passport/visa requirements and appropriate licences. This meant that the agency was able to manage large volumes of temporary workers across multiple clients and guarantee standardised compliance, avoid sending duplicate candidates and assign account managers to clients without the risk of other consultants poaching them accidently (i.e. calling another consultants client). In many cases participants suggested that the introduction of these databases had facilitated the placements of much higher volumes of temporary workers while minimising problems. For example:

> We find because we have a network locally we have more of an infrastructure as a bigger company; we can recruit the volume for them [clients] as well as the quality, whereas a smaller agency can't (Interview 19, Branch Manager, large national agency).

Indeed, amongst many of the smaller agencies the use of company databases was uncommon and many of them still relied on paper-based systems. On a number of occasions participants noted that as the agency had grown they had been forced to improve branch infrastructure to allow for increased clients and candidates, but in the main, smaller agencies were unable to invest in this type of infrastructure:

> The investment in the proper payroll systems and the infrastructure that you need to be able to attract a good applicant and client flow and the money that it costs to develop that is too costly for a lot of small agencies (Interview 34, Owner, small regional agency).

As legislation within the TSI increases and agencies are required to perform stricter checks on their candidates, any infrastructure within the branches that could help them do this – such as databases which flagged up temps approaching their twelve week AWR timescale – allows agencies to continue placing large volumes of workers while assuring the client that every temp is suitably processed. Agencies which lack this infrastructure are increasingly at risk of falling foul of increased legislation and compliance and as participants noted "...that is why you get tiny agencies struggling because there are regional agencies and national agencies that

have that infrastructure to support the temporary worker, that have everything in place to make it a good stay for them" (Interview 34).

The reduction in branch infrastructure means that many smaller agencies rely on other organisations for certain services. For example, while most of the agencies interviewed were members of the REC many of the larger agencies did not use the organisation in any significant way. However, for smaller agencies the REC was their primary source of legal and contractual advice, information on changes in legislation and the necessary compliance checks as well as training and guidance for consultants. In contrast, many larger agencies had their own personnel in place to deal with these issues. In some cases smaller agencies found that they were unable to compete with agencies that had well developed infrastructure in official tenders, as this participant explains:

> Where we do occasionally have problems is when those big organisations get instructed by a procurement department or a purchasing department that they need to go through a formal tender process, and the formal tender or procurement piece comes out and there is a document that looks like the Bible that requires me to prove health and safety policy or ISO qualifications or what have you, and I haven't got a marketing department that sits behind me and comes up with glossy all-singing all-dancing tender documents. I try to compete as best I can in the tender process but there is a part of me that when it gets to a formal bid or tender I think I am on the back foot to the [national agencies] of the world because they have the marketing department that can come up with something really glorious that makes them look good (Interview five, Owner, single-site agency).

In the majority of cases smaller agencies noted that limitations in their database systems, computerised compliance checks, marketing and legal department and payroll systems (compared to larger agencies) affected certain aspects of their business such as the volume or temps they could supply, the degree to which they could assure companywide compliance checks on large numbers of temps, their ability to streamline increased compliance into their

recruitment and their performance in formal tenders or bids. In contrast, the ability of larger agencies to invest in these systems and services enhanced their ability to perform well in these areas. In turn, this meant that larger agencies were able to meet certain criteria set out by client firms which smaller agencies were not.

Table 6.1 presents the findings discussed in these three sections and the differences between larger and smaller agencies which this research identified. Again, this table presents the extremes of either end of the size spectrum but the majority of agencies have a combination of these characteristics depending on their size and therefore fall in between these two extremes. Thus, the research argues that few, if any agencies sit neatly at either end but that the majority of agencies display characteristics which place them somewhere on this scale.

Table 6.1 A New Framework for Size: The Characteristics of Different Sized Agencies

	Size of agency →	
	Small	***Large***
Management structure	owner active and operational in client relationships	owner/MD hidden strong management hierarchy – regional & branch managers
Consultants	low levels of autonomy limited opportunity to develop own client base long term service (Average 5-10 years) less target driven	high levels of autonomy Encouraged to develop own clients short service (average 1/1.5 years) "young" & "inexperienced" "very salesy" and target driven
Service	personal service – "very important to us" selling on service 'extra service'* (dropping temps in) can negate cost	standardised focus on volume contracts problems with national contracts & local service "bums on seats" deeper integration in client recruitment practices price sensitive – high-volume, low-margin
Client relationships	predominantly local –with line manager high level of trust long term personal	capable of developing relations with procurement & HR via official tenders mix of local client relationships and nationally won contracts impersonal
Infrastructure	limited infrastructure outsourcing payroll use of REC for legal advice and guidance limited marketing for tenders	more developed infrastructure capable of processing large volumes of temps quickly high-tech databases/electronic processing systems/ in-house payroll legal departments to ensure compliance marketing and sales departments
Branch network	limited number of branches may spread to become regionally focused reduced branch network during recession	wide spread of agency branches regionally, nationally or globally capable of servicing clients all over the country enhanced by master vendor network or presence on client site (on-sites)

Source: Author

* The notion of 'extra service' is discussed below in section 6.4

So far this chapter has demonstrated that agencies of different sizes present distinct characteristics relating to their management structure and consultant autonomy, the service they provide to clients and the infrastructure and branch networks they have available. The chapter now goes on to argue that these different characteristics between different sized agencies can influence how they develop new business, the type of clients they work with and how they service these clients but, critically this depends on *who* within the client firm is responsible for agency selection. As such, the remainder of this chapter develops the argument in Chapter Five that who within the client firm is responsible for agency selection can directly impact the criteria against which agencies are selected and how agencies provide a flexible solution to temporary staffing. This is achieved by demonstrating that some agencies are more adept at meeting the criteria of either line managers or HR and procurement and that this ability is affected by the size-dependent characteristics discussed above. Specifically, this research argues that *there are characteristics which are more typical of smaller agencies which make them better equipped at meeting the demands of line managers* and in contrast *there are characteristics of larger agencies which make them better adept at meeting the demands of HR and procurement*. This argument adds new insight into the hierarchies which develop within the TSI. It also allows us to consider why and how agency size is influential in the structure of the TSI beyond existing explanations which consider mainly the largest corporate agencies and the smallest back street agencies.

6.4 How does size affect agency selection and client relationships?

Peck and Theodore (2001:477) argue that "temp agencies actively pursue new business opportunities by selling the cost-reducing, flexibility-enhancing and labour controlling virtue of temporary employment to client firms". However, this research argues that the definition of 'cost-reducing', 'flexibility-enhancing' and 'labour controlling' can vary depending on who in

the client firm is responsible for agency selection. Chapter Five has presented findings from this research which suggested that *line managers prioritise speed of service and quality of temporary workers* when assessing the attributes of TSAs and temporary agency labour. In contrast, central departments such as *HR and procurement prioritise cost and compliance* in agency selection. For these two groups the definition of a 'cost reducing, flexibility-enhancing and labour controlling' solution to temporary staffing is different. As such, agencies which can provide minimal costs while assuring thorough and standardised compliance checks are more likely to meet the demands of HR and procurement while those that provide 'good quality' temporary workers as quickly as possible are more likely to be selected by line mangers hence, these may not be the same agencies. This chapter builds on this argument by considering how variations in size dependent characteristics including; management structure and consultant autonomy, service provision and infrastructure and branch networks can influence the ways in which different agencies meet the demands of their clients.

6.4.1 Personal service and recruiting the 'right' temps: working with line managers

The research found that some of the characteristics which were more typical of smaller agencies allowed them to meet the priorities of line managers in ways that were less possible for larger agencies. One of the key areas was service and the personal nature of the service from smaller agencies. In many cases both clients and agencies stated that the direct role of the agency owner in servicing the client facilitated a more flexible and personal service. For example, the research found that smaller agencies were more likely to provide additional services to their clients such as taking temporary workers to and from the client site. In addition smaller agencies were more likely to provide extra services to the client as a means of securing and strengthening non-contractual agreements. As a way to mitigate the insecurity

associated with *ad hoc* small volume bookings they had to provide additional services which larger agencies would rarely do, for example:

> If we are at risk of losing the client we may tell the temp to come here and then we will take them down if we think it will mess up the account. It's all about service really (Interview four, Owner, small, single-site).

> I have dropped temps in at ten o-clock at night and six AM in the morning and people ask; 'why?' But if you are making £6,000-£7,000 a week off one contract and you are a little company and you are making that sort of money and you are giving them that little bit *extra* you will carry on making that. That is my only motivation (Interview three, Owner, single-site agency).

In addition to taking temporary workers to client sites, smaller agencies would also offer other extra services. In some cases 'extra' services had become an industry standard such as 24hour phone lines, provision of uniforms or personal protective equipment (PPE) for temps and running AWR workshops for clients. However, there were other services which this research only found evidence of amongst smaller agencies. Most notable was the readiness of owners of smaller agencies to partake in temporary work assignments if they could not find a temp to fill the client's vacancy. In the majority of cases, owners or senior managers of smaller agencies could recount times when they had personally taken up a client vacancy at the risk of losing a client. For example:

> So, if one of our temps didn't turn up for a job and we thought we were going to lose the client, I would go down there and do it, and I could be digging for 12 hours. I have been there and done it and you have to wear a silly hat and silly gloves and a bright orange uniform but I have done it. I don't need to but I will do it to keep hold of the clients (Interview four, Owner, small, single-site).

In some cases smaller agencies were able to demonstrate their dedication and commitment to clients by going to extra lengths to fill client vacancies. Occasionally this tactic was also used

to win new business or keep hold of existing clients that had experienced a change in personnel:

> ...a company that we were supplying, they had a new area manager come in and they shouldn't really be using us, they should be using their PSL [preferred supplier list], so this new area manager came in and his view was; 'well, if you don't perform I am just going to get the people in here that should be running the account because that gets my procurement manager off my back.' ...he was giving me a pretty hard time and then on Christmas Eve we were really up against it, he needed one person but without that one person the whole operation would fall down ... so he was having a bit of a scream down the phone at me about it ... so I went back to him and said; 'right Lee, I have one person who is inducted and can come straight down' and he said; 'right what's his name' and I said; 'it's me' ... and ever since then with that relationship we are just locked in tight and now he is looking to get some more business with us (Interview 20, Regional Director, large regional agency).

Although this situation was relatively common amongst smaller agencies there was no evidence of this happening in the national or multinational agencies I spoke to. There are four main reasons for this; i) due to their numerous revenue streams, larger agencies may be less dependent on individual clients and therefore feel less obliged to go to extra lengths to fill individual client vacancies, ii) larger agencies often have contractual agreements with clients which mean the business is more secure, as such, larger agencies are not required to go to extra lengths to keep hold of existing clients, iii) consultants within larger agencies do not have the contractual flexibility or autonomy to spend a day working directly for client companies (whereas the owners of smaller agencies can do this) and iv) larger agencies are more likely to be able to find temporary workers to fill assignments because of their greater resourcing capacity.

The research found that smaller agencies in Birmingham were often required to provide clients with additional services in order to secure the relationship with the line manager upon

which their business was based. In many cases additional services were possible because the owner of the agency was directly involved in the client relationship and was able to provide a flexible and bespoke service to each of their clients, whereas, consultants in larger agencies often worked to a standardised recruitment process and were less able to offer additional services of the same kind. These extra services and flexible approach was often looked upon favourably by line managers who saw this as a selling point for small agencies, for example:

> ...one of the owner managed agencies I use has said she is really up against it during the recession because unless you can get in there and have the personal service as your USP – that *extra* thing – your name isn't as big out there, no one has heard of you, and that's one of the disadvantages for them [smaller agencies] and the big boys are squeezing them out (Interview 44, HR Manager, international hydraulics manufacturer).

> [I look for] quality of staff [temps] obviously, flexibility, some of them are very strict on their terms of engagement, they are not flexible in terms of how many weeks you have to have them on a temp-to-perm basis, some of them are very rigid about their charges and their introduction charges, and their temporary arrangements. With John[39] [owner of small TSA], if I said to him; 'look, I need somebody but I can't afford to have them on a temporary basis any longer than eight weeks and I know it is normally 12', he would say; 'OK, we will see if we can sort something out'. He is flexible whereas a lot of them aren't. ... I found a lot of them [national agencies] were inflexible compared with John, its having that relationship whereby he knows exactly what me needs are and I tell him honestly what I can and cannot do within the confines of this business and what we can and cannot spend and we come up with an agreement (Interview 41, Works Manager, Birmingham based metal pressing company).

This research demonstrated that when agencies were interacting directly with line managers 'good' service could be identified as a more personal and flexible approach to the recruitment of contingent labour. As the quotes above show; personal service can become the USP of

[39] This quote is taken from a matched pair interview with the client of Interviewee three (owner of single-site agency), as such the name of the agency owner 'John' has been changed to protect the identity of Interviewee three.

smaller agencies, it's that 'extra thing' that they are able to provide which larger agencies are less able to do. The extra service that smaller agencies can provide to clients is more likely to appeal to line managers as opposed to central departments because of their focus on the speed of delivery and fulfilment of bookings with 'quality staff' rather than cost and compliance. In this way, the research argues that the size dependent characteristics of smaller agencies can make them more attractive to line managers when compared to larger agencies. Further to this, the research found that smaller agencies may also be more likely to provide line managers with 'good quality' temporary workers in ways that larger agencies may not, as discussed below.

All agencies are eager to give clients what they want. When dealing directly with line managers this often means providing 'good quality' temporary workers. This specification not only includes workers with a specific skill set and attitude but in some situations clients may also request a certain ethnicity, gender or age of employee. If this was not explicitly requested by clients, agencies often had an implicit knowledge of the 'right' kind of candidate and would actively recruit temps which matched this specification. Indeed, Peck and Theodore (2001:492) note that "in providing what employers want, and *expect*, temp agencies harden and institutionalize processes of labor segmentation". This research makes two significant additions to this argument; first, it has shown (in Chapter Five) that the term 'employers' can be unclear and can include a range of different stakeholders (line managers, HR or procurement) with different priorities and expectations; second, it argues here that different temp agencies are more adept at meeting the expectations of different 'employers'. Thus, the meaning of 'employer' and the nature of their expectations is geographically variable and specific because these meanings are produced within and through the dynamics of a local labour market, they cannot be understood as generic or ageographical. As such, this research

adds to the argument made by Peck and Theodore (2001, 1998) and suggests that the way and extent to which agencies harden and institutionalise segmentation varies between different agencies and different locations.

For example, the research found that smaller agencies were more inclined to accept potentially questionable requests from clients in order to secure client business. In the majority of cases this was because the agreements between smaller agencies and their clients were informal and not contractually secured. As such, there is greater potential for line managers to move to other agencies if they don't receive the 'right' temps from their incumbent agency. In many cases participants from smaller agencies talked about making commercial decisions regarding the discrimination of certain ethnic groups, ages and sexes in order to provide their client with 'good quality' workers and prevent them from going elsewhere. For example:

> Well I know it's bad and I won't mention who it is but some companies will say; 'I don't want Asian drivers'. Some people have said; 'I don't want these type of drivers, if you send one of them into me I will never use you again', and that's quite serious you know, you could get them in serious trouble for saying that, but if that's what they want. I wouldn't say it to the guys [recruitment consultants], I would just say [pause] well they know anyway, and that's what recruitment is. ... Some of the things that we have heard in the past from customers wanting this, that and the other, some customers say; 'I don't want women, I definitely don't want women' (Interview 17, Owner, single-site agency).

> We get a situation where the customer would say; 'I am not going to have a black person' and it has happened. One of our biggest customers, the manager said; 'I don't want black people' and I [the owner of the agency] didn't want any problems so... they all do it. They will say; 'we don't want men, we don't want women, we don't want black people' and in agencies they will tell you they make a commercial decision and they won't send them, all of them do it (Interview three, Owner, single-site agency).

> We do what they [the client] ask, because they are my customer, I have to do what they ask, I don't have an option. ...there are certain races of people that are good at certain jobs, so the recycling job I send a lot of African guys in, British people don't want to do it. My recycling jobs I have tried to send White, Black-British, Asians and none of them will do it. I have had them walk off after 15 minutes. Now I send my African guys in and my client is happy because they are good, they are workers. Secondly, it's easier for me because I know the guys will turn up every morning and they will do the job while they are there, and most of them speak English. So it is easier for me to put those guys in there, there is no point putting other people in. I put three English guys in there last week and there is only one left now, so I am wasting my time, that's the way I have to do it. ... We do get asked for certain races of people, and you have to fit a demographic for a company as well, and it is also age, you can't send Betty who is 65 into a place where there is a load of 18 year olds that blast out Radio One. So you have to look at the demographic of the company and you also don't want to upset the apple cart because they [the client] will only go to another agency and ask exactly the same questions, so I have to do what they ask, if they don't want Martians I won't send any Martians. There is one company that don't like me to send them Africans but I know they are the best people but they won't have them, so I can't send them (Interview nine, Owner, single-site agency).

These quotes are particularly enlightening for a number of reasons. Although some participants suggested that discrimination is "absolutely rampant in the [temporary staffing] industry" and "they [TSAs] all do it" (Interview three) this research found that only smaller agencies talked about fulfilling requests from clients which blatantly contradict equal opportunities and endorse discrimination. This is not to suggest that larger agencies do not carry out similar requests or make decisions regarding the appropriateness of candidates based on characteristics other than skills and aptitude. However, the research does suggest that the nature of relationships between smaller agencies and line managers can *enhance* the potential for institutionalised discrimination within their recruitment practices as a means by which smaller agencies can *strengthen and secure* their relationships in a way that is less necessary for larger agencies. The owner of this small agency describes how the closeness of his

relationship with the line manager means they both know exactly what the client is looking for:

> We know some of our clients well, and we go out with them quite a lot and it has become more like a friendship than a client and we can be brutally honest with one another which is great and they can honestly tell us what they are looking for, but we don't discriminate. There are people [clients] who will say we don't want this or that and we have to remind them that they can't say that and that we can't be seen to be doing it, but it does go on. If agencies out there say that they don't discriminate it is a blatant lie because I know for a fact that lots of companies are still asking for a set criteria of people i.e. not women, they only want young lads, they only want [pause] whatever. So we have to make a decision whether to work with them like that because if we don't someone else will (Interview 37, Owner, single-site agency).

The insecurity of agreements between line managers and smaller agencies increases the opportunity for that client to go to another agency; this in turn increases the need for smaller agencies to give these clients what they want. This is compounded by the reliance of smaller agencies on *ad hoc* bookings and smaller clients, meaning they are often forced to say "whatever the client wants just tell them they can have it" (Interview 53). The personal and more flexible approach provided by smaller agencies (due in the main to the operational role of the owner) allows these agencies to provide their clients with additional services as well as providing them with temporary workers which meet their ideal specification (whether this be discriminatory or not). As such, this research argues that there are characteristics which are more typical of smaller agencies which make them better equipped to meet the demands of line managers. In the next section I examine how some of the characteristics of larger agencies make them better equipped to meet the demands of HR and procurement departments.

6.4.2 Compliance checks and tax schemes: working with HR and procurement

Chapter Five demonstrated that the key priorities for HR and procurement departments (in relation to the recruitment of temporary agency labour) tended to focus on reducing the cost of temporary labour by making savings on agency margins and ensuring standardised administrative processes through rigorous compliance checks and electronic systems which minimise invoice and payroll discrepancies. As temporary recruitment in some user firms has been centralised these stakeholders have become responsible for agency selection and as such, agencies have had to sell different aspects of the "cost-reducing, flexibility-enhancing and labour controlling virtue of temporary employment" compared to that which they may sell to line managers (Peck & Theodore, 2001:432). As discussed above agencies may promote the quality of their service (fast, personal, flexible, bespoke) and the calibre of their temporary workers in order to sell the virtues of temporary employment to line managers, however, these virtues may be less appealing to HR and procurement departments when compared to cost savings and standardised compliance. As such, agencies which promote their ability to provide low margins, rigorous reference and compliance checks and standardised recruitment processes across all client sites are more likely to appeal to central departments.

One of the main priorities for HR and procurement departments is cost. In the majority of cases this meant lowering the cost spent on temporary recruitment by reducing agency margins. As such, agencies supplying these clients had to increase their volume of supply in order to mitigate very slim margins. Agencies could increase volume supply in a number of ways; i) develop a national agreement with the client firm meaning that agency would supply temporary labour in all client sites, ii) become the preferred supplier meaning that agency was approached by the client before other agencies thus giving them an advantage in filling vacancies, or iii) become a master vendor in which case one agency fills the majority of

vacancies while subcontracting the rest to second-tier suppliers and preventing them from contacting the client. Participants from larger agencies noted that they frequently used these tactics in order to guarantee volume supply and offer an attractive rate to client firms. The ability to carry out either of these three tactics depends on the agency having the resourcing capacity to recruit enough temps to fill volume bookings, the databases and systems to ensure large volumes of temps meet compliance standards as well as the infrastructure to payroll large volumes of temps, some of which may also be coming via second-tier agencies. As such, certain characteristics of large national and multinational agencies – high-tech databases', electronic referencing and compliance systems, in-house payroll, in-house legal departments, national branch networks and companywide training for consultants on standardised recruitment processes – better equip these agencies to supply volume bookings to multiple clients and therefore reduce rates. Indeed, much of the existing research has reinforced this point and argued or alluded to the fact that larger agencies can supply larger volumes of temporary workers (Peck & Theodore, 2001, 1998; Ward, 2004). However, the research in Birmingham revealed that larger agencies are using other strategies to appeal to HR and procurement departments such as tax schemes (which reduce their margins) and providing flexible approaches to legislation such as AWR and this has not been discussed in the existing literature.

Within the TSI many larger agencies were making extensive use of tax schemes in order to reduce the margin they charge clients. The most common is the Travel and Substance scheme, (see Figure 6.1) which many participants argue has become a "massive part of the recruitment business" (Interview three) and can be "a massive massive benefit to a lot of agencies" (Interview eight).

Figure 6.1 Travel and Subsistence Schemes

These tax schemes can be orchestrated by TSAs or umbrella companies (a private company responsible for managing the payroll, National Insurance Contributions (NICs) and tax for recruitment agencies as well as independent workers).

Many of the larger national and multinational agencies have developed their own versions of Travel and Subsistence schemes which they can offer to their temporary workers.

These schemes allow temporary workers to "give up an element of their normal gross pay in return for the payment of tax and National Insurance free expenses for the travel and subsistence costs [they] incur when undertaking work" (Prime Time, 2011:1). As such, the temporary employee receives a greater 'take home' pay. In order for agencies and umbrella companies to do this they have to create a single 'contract of employment' for each worker, this is opposed to a contract of service which agency workers would otherwise be employed on (HM Government, 2010). A contract of employment "convert[s] what would otherwise be a series of permanent workplaces (for which there is no tax relief available on travel expenses) into temporary workplaces (for which tax relief on travel expenses is due)" (HM Government, 2010:3).

Travel Schemes were established in 1998 by HMRC so that employees that were working at temporary workplaces could be eligible for tax relief on their travel.

Many of these schemes are operated legally but there have been an increasing number of reports and court cases which have seen the illegal use of Travel and Subsistence tax schemes primarily by recruitment agencies and umbrella companies, and in some cases agencies have been accused of not passing on savings to employees (see SIA, 2012h; ALP, 2009).

TSAs can benefit from using Travel and Subsistence schemes because they save employer's NICs on the non-taxable pay i.e. the pay (taxable) which has been 'sacrificed' and replaced by expenses (non-taxable). However, HMRC note:

> In some schemes, it is the Employment Business or umbrella company employing the worker who retains the largest part of any financial benefits, with only a small proportion of these being passed on to the worker. (HM Government, 2010:3)

This is not necessarily because of illegal tampering with the scheme but because is many cases employees which are eligible for these schemes receive minimum wage and as such the savings which would have been made by the worker on tax and NICs are passed to the TSA or umbrella company and these largely outweigh the additional pay to the worker.

The following example is taken from a consultation produced by HM Government regarding the use of Travel and Subsistence schemes by employment businesses (TSAs) and umbrella companies in 2010. It demonstrates the significant savings made by TSAs when using a Travel and Subsistence scheme:

Worker engaged by a TSA and *not* in Travel & Subsistence scheme

Gross pay – 35 hours @ £6.50	£227.50
Salary Sacrifice	£0.00
Taxable pay	£227.50
PAYE	- £20.40
NI	- £12.92
Travel Expenses	£0.00
Total payments	£194.18

Worker employed by a TSA *within* Travel & Subsistence scheme

Gross pay – 35 hours @ £6.50	£227.50
Salary Sacrifice	£95.00
Taxable pay	£132.50
PAYE	- £1.40
NI	- £2.47
Travel Expenses	+£72.00
Total payments	£200.63

This example demonstrates that by participating in the Travel and Subsistence scheme the worker is better off by £6.45 per week, whereas, the TSA benefits by £35.16. This is made up of the amount of employer's NICs saved on the salary sacrificed (i.e. £12.16) and the £23 of the salary sacrificed which is kept by the TSA to account for any outstanding holiday entitlement and/or reasonable costs which may be incurred by the TSA (£95-£72) (HM Government, 2010).

Source: Author

Agencies can make significant savings through Travel and Subsistence schemes. This has been discussed recently in media output (Peacock, 2012) and industry publications (SIA, 2012h, 2012i, 2012j) but its significance within the TSI has not been addressed by current academic literature. Using secondary data and the interviews in Birmingham this research revealed that Travel and Subsistence schemes have been used extensively throughout the industry to lower the margin that agencies offer to clients thus giving them an advantage over agencies which are not using the schemes. This practice is particularly prevalent amongst larger national and multinational agencies, for example:

> ...you can be getting up to £70-£80 of expenses that aren't taxed, then you are getting a saving in tax and NI between 50p and 80p an hour and we are supplying into some of these national companies at 60p an hour. So if you are getting 80p an hour from tax, you have got to pass a little bit on [to the temp], but they [TSAs] pass approximately £1 a day on. So 20p an hour on to the temp and they keep the rest. So they [TSAs] are making – though the Travel and Subsistence scheme – possibly between 50p and 60p an hour, and what some companies are doing, particularly one called [name of national agency], they are going to customers throughout the industry and saying; 'no matter what you are paying, we will do it for less' and they have been to some of our clients and said; 'we will do it for no margin' because they are making it on the tax. ...it's just a financial scam basically ... We are coming under so much pressure from these schemes that now we are putting our own one in because actually we have got to stay in business and the margins have eroded so much because of this (Interview 26, CEO, large national agency).

What was also clear from the research is that although this is an integral part of their business for many larger agencies, consultants and senior managers were unaware of the complexities and "ins and outs" of how these schemes worked (Interview 19).

> A bit of info I shouldn't give you but I know that if [my national agency] were running on their recruitment revenues alone they would run at a loss. I believe the figure I was quoted was £11 million. There was a court case you are probably aware of a few years ago between the Inland Revenue and [national agency name] because we were running a travel scheme. The travel scheme works like a Coca Cola formula, there are only a few

> people in [national agency] who know how to run it but basically it is a tax benefit scheme. ... I know that it is due to that that brings [our national agency] into profit, they make quite a bit from that itself. ...it is certainly very valuable to [our agency]. I know there was a court case over it because the Inland Revenue thought it wasn't being run in the right way, I know that [our national agency] have since spent a lot of time sitting down with the Inland Revenue and recalculating and reformatting how they are going to do it. I know that my boss and his boss aren't aware of the formulas exactly, but I am told it is very much a Coca Cola formula within [our national agency] and only a few people know the ins and outs of it (Interview 19, Branch Manager, large national agency).

Indeed, these tax schemes are very complex and finding clear information on exactly how much of the worker's wages are 'sacrificed' and replaced with non-taxable expenses and how this amount is calculated is extremely difficult. The concern surrounding the complexity and lack of clarity of these schemes has been voiced by the REC and practitioners within the recruitment industry (Peacock, 2012; SIA, 2012h, 2012i, 2012j). Yet, the prevalence of these schemes within the recruitment industry is clear, not only from participant information but also secondary data, which has recently claimed that "Britain's £22bn recruitment industry is riddled with a multi-million-pound "avoidance" scheme that allows staffing agencies to undercut rivals, exploit millions of workers and cheat the taxpayer out of vast sums of money" (Peacock, 2012). This research does not claim that these schemes are being used illegally and there was no evidence to suggest this in Birmingham. However, what is evident is that when run legally these schemes allow agencies to make significant reductions on tax and NICs. The research found that in some cases these reductions were being passed onto the client company allowing the agency to charge a smaller margin and undercut competitors. This was more common amongst larger national and multinational agencies which were making considerable savings from these schemes because of the volumes of candidates they were placing. As the Director of the Association of Labour Providers (ALP) explains:

> There are various tax efficiencies that can be gained by operating the Travel and Subsistence scheme, those also tend to be available to larger organisations [TSAs] rather than smaller organisations and that is being used to offset, in some cases, the additional costs of the AWR [Agency Workers Regulations] (Interview 62, Director of ALP).

The main benefit for agencies of using a Travel and Subsistence scheme is the savings they make in NICs. However, applied to small scale or *ad hoc* bookings, it is not possible to factor this amount into the overall rate offered to the client (thus reducing the agency margin) but, as HM Government (2010:7) notes "[t]hese amounts, once multiplied by the number of workers who are participating in travel and subsistence schemes, give rise to significant savings for the Employment Business [TSA]". As such, the benefits of these tax schemes are only significant enough to warrant the reduction in agency margins (which can then be passed onto clients) if the agency can guarantee large volumes of supply. Therefore, larger agencies are able to sell the benefits of temporary recruitment to HR and procurement departments by using tax schemes to make significant reductions to their margins and undercut competitors that are not doing the same. Often these savings are extremely slight as one participant notes; "with these clients where we are talking about 1p extra reduction" (Interview 26), however, spread across multiple temporary workers this is a significant saving on agency labour for the user firm thus meeting one of the key priorities of central departments. Yet, at a local level this type of saving in agency margins is unlikely to appeal to line managers who are more concerned with the speed of placements and quality of workers.

As well as offering client firms savings on the supply of agency labour, all the larger agencies in this research also offered sophisticated systems which monitored compliance across large volumes of temporary workers. This was especially attractive to client firms as the AWR began to come into effect in October 2011. Participants noted that many clients that used large volumes of temps wanted the agency to assure them that all their workers would be compliant

and checked under the new AWR. Agencies which could assure HR and procurement departments of their ability to monitor temps and guarantee compliance across all client sites were more likely to appeal to these stakeholder. Indeed, many of the larger agencies had developed databases with flag systems which identified which workers were approaching their twelve week period and needed to be considered for pay parity under the AWR. Further to this, larger agencies were also developing loopholes or 'get out clauses' which allowed user firms the same flexibility offered by temporary agency labour without making them accountable for certain legislative requirements or restrictions.

Many larger agencies were able to provide their clients with advanced information on AWR and other legislation that was often tailored to specific clients. This was possible due to their in-house legal departments. Smaller agencies however, rely on the REC for much of their information on compliance to the AWR making it difficult to provide their clients with bespoke information on how the AWR would affect them. As the Area Manager of this multinational agency explains:

> We have been doing it for two years, workshops and seminars. The companies we deal with, we give them marketing material, seminars, speakers and all that, and we invited our clients to come out and listen and so by the time it got here [AWR] we had sorted it out (Interview 35, Area Manager, multinational agency).

> The big challenge at the moment is AWR and the implications of it going forward. We have set up task-forces to look at AWR and we have been out to clients and informed them and educated them on how it is going to work (Interview 19, Branch Manager, large national agency).

As part of this research I examined some of the material that was used at these seminars and the information that was given to clients. In the majority of cases this was aimed at HR departments and contained detailed information on employment legislation, regulations for

agency workers and the rights of employees. Indeed, the provision of information on legislation and compliance was used to sell the virtues of temporary staffing to HR departments, and larger agencies had significantly more resources and infrastructure to do this as opposed to smaller agencies which tended to rely on the REC as their main source of information. Further to this, agencies that could provide clients with 'solutions' to AWR either through employing temporary workers directly on a Swedish Derogation[40] or paying workers between assignments (PBA), were able to offer the continued flexibility of agency labour without the additional costs associated with this regulation, as the CEO of this national agency explains:

> ...we have got one client in particular ... we have 400 temps in there and the disparity between the rate we pay our temps and the rate they pay the same people to do permanent work is such that if they took the cost on [through AWR] it would cost them an additional £2million a year ... and [the client] said; 'we don't care, we don't care, we are not paying anymore, whatever you have to do, you do. We are not paying any more money.'... So we have to take a Regulation Ten. In the legislation a Regulation Ten allows you to pay the lower rate as long as you pay the temporary workers between assignments (Interview 26, CEO, large national agency).

As legislation surrounding the use of agency workers increases, TSAs are increasingly required to provide clients with a flexible and cost effective solution, not only to the supply of temporary labour but also to the legislation which now surrounds it. As such, agencies which are adept at providing a flexible solution to legislative regulation regarding agency workers are more likely to appeal to central departments within the client firm who are responsible for

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[40] The Swedish derogation allows employers to avoid paying agency workers the same pay as comparable permanent employees after 12 weeks on assignment. Under the derogation the agency worker is employed on a permanent contract of employment by the agency meaning that if the temp is fired from the client firm the agency must pay the minimum amount between assignments until their contract ends – usually temps are employed on very short contracts to avoid the agency having to pay large amounts to temps between assignments (SIA, 2013b).

employee welfare and regulation i.e. HR. Further to this, the research has demonstrated that larger agencies have capacities – such as increased infrastructure, databases and electronic systems which can process and check large volumes of temporary workers for compliance, as well as in-house legal departments and training – which allow them to provide flexible solutions to increased legislation. In contrast, smaller agencies are less adept at doing this because they have to rely on standardised REC information on new legislation, they have limited or no in-house legal department to develop client-specific contracts or solutions and often have very limited company databases or electronic systems for checking compliance of individual temps.

This section has argued that the characteristics which are outlined in section 6.3 – and vary depending on the size of the agency – can affect how agencies service clients. The chapter has argued that the characteristics of smaller agencies make them better equipped to meet the priorities of line managers such as speed of service and 'good quality' temps. In contrast, larger agencies display characteristics which make them more adept at satisfying the priorities of HR and procurement. In this way, the size of the agency can influence which clients they supply. This is not necessarily due to a 'matching-up' between large agencies and large clients or smaller agencies and smaller clients which the current literature suggests (see Peck & Theodore, 1998, 2001), but rather, this is due to more subtle differences in size dependent variables between agencies and the priorities of different actors within the client firm.

6.5 Conclusion

As Chapter Five demonstrated *who* within the client firm is responsible for agency selection determines *how* agencies provide the client with a "cost-reducing, flexibility-enhancing and labour controlling solution to temporary staffing" (Peck & Theodore, 2001:432). This is

because different actors within the client firm have different priorities that agencies have to meet in order to be selected. This chapter has developed this argument and shown that different agencies are more adept at meeting the priorities of certain actors within the client firm over others and this depends on the size of the agency. The research has shown that smaller agencies tended to have an owner who was operational in client relations thus facilitating a flexible and personal approach to recruitment. The consultants in smaller agencies were more experienced and had, on average, a longer service at the agency. In addition, because these agencies relied on less secure *ad hoc* bookings they felt greater pressure to give clients the 'right' type of candidate. In light of this, I argue that smaller agencies are proficient at meeting the priorities of line managers.

The research has also shown that larger agencies have a hierarchical management structure and consultants are encouraged to develop their own client base. This can mean consultants from larger agencies are more target-focused and sales-driven which participants argued can detract from the service offered to local line managers. However, the greater infrastructure of larger agencies facilitates the supply of large volumes of temporary workers across multiple client sites which allows larger agencies to make use of tax schemes on a mass scale and reduce agency rates dramatically. In addition, larger agencies can provide sophisticated databases, electronic management systems and in-house training, meaning that large volumes of temps can be checked for compliance and monitored in line with legislation. In light of this, I argue that larger agencies are better adept at meeting the priorities of HR and procurement departments.

Beyond this, I argue that without considering the priorities of different actors within the client firm current research risks misinterpreting how size matters within the TSI. This research demonstrates that understanding which agencies work with which clients is more complex

than matching up similar sized agencies and clients, as the existing research may suggest, for example Peck and Theodore (1998, 2001) suggest that corporate agencies work with corporate clients. This research has shown that the situation within the TSI is far more complex than matching like for like. In order to understand *how* size matters within the TSI we have to understand first, how it manifests in ways other than economic or quantitative characteristics and second, how this affects the agency's ability to sell the virtues of temporary staffing to different actors within the client firm.

In Chapter Seven I bring together the arguments made in Chapters Four, Five and Six and ask what this research tells us about the market making or marginalisation of TSAs in the local labour market. This discussion has purposefully been left for the final chapter as it attempts a synthesised analysis of the empirical research as well as theory from the existing literature. It builds on the arguments presented thus far to demonstrate that understanding the market making or marginalisation of TSAs within the local labour market requires an in-depth analysis of *how* the industry works, *who* is determining agency selection and which agencies are meeting these demands. It argues that the TSI is a highly diverse and interesting industry with complex and nuanced local variations. In the same way as existing geographic literature has called from an understanding of local labour markets as socially regulated and locally variable I argue that the TSI presents the epitome of this conjecture.

7 CHAPTER SEVEN: CONCLUSION

The Local Labour Market: Producing Market Makers *and* Marginal Players

7.1 Introduction

This chapter draws together the analysis developed in Chapters Four, Five and Six and the existing literature to address the question driving this research: *What role do TSAs play in shaping labour markets and employment practices?* It does this with reference to the two research gaps identified at the outset of this thesis namely; i) the role of TSAs in different local labour markets and ii) the local activities and relationships between different sized agencies. This final chapter identifies that the role of TSAs in the local labour market is fundamentally affected by the social and contractual relations and interactions between different agencies and agencies and their clients. These interactions and relationships are articulated at a local level but are affected by and affect the wider structure of the TSI. The local activities of TSAs are actively making markets for temporary staffing by reshaping local labour markets, recruitment processes and employment practices. At the same time, the activities and relationships which develop between agencies and their clients locally are marginalising some TSAs and restructuring the TSI in ways which have not been discussed in the existing literature. Furthermore, the research has shown that while some agencies may be capable of market making in some instances and with certain clients, in others circumstances they may be marginalised by competitors. The research shows that the nature and dynamics of this market making or marginalisation are influenced by the economic, sectoral and demographic characteristics of the local labour market. Therefore, the role of TSAs within the local labour market will vary in locally specific ways depending on labour market characteristics. Not only this, the research has demonstrated that the activities of agencies locally can have a knock-on effect on how the TSI operates nationally. As such, we need to

allow for the nuances and differences of temporary staffing at a local level to understand how the TSI functions nationally.

Section 7.2 of this chapter outlines the key contributions of this research, these relate to the aims identified in Chapter One. It highlights in which chapters these contributions were made and in doing so summarises the arguments in each chapter. Section 7.3 argues that the local labour market is a site of direct competition between agencies of all sizes and as such it acts as an arena in which agencies use different tactics to win business and make their markets or risk being marginalised. These tactics depend on the size of the agency and can impact the structure of the TSI in locally specific ways. Section 7.4 examines ways in which smaller agencies can work together to allow them to compete with larger national and multinational agencies. In this way, smaller independent or locally operated agencies are demonstrating tactics for market making that have not been recognised in the existing literature. By re-examining the influence of size on the activities of agencies locally this research demonstrates new ways in which TSAs can reshape the structure of the TSI and their role in labour market functioning.

Section 7.5 discusses how the activities of agencies can adversely affect the precarity and insecurity of employment within the local labour market. This can be compounded by the insecurity of relationships between agencies and line managers. Some agencies are able to use these relationships to increase their influence on labour market recruitment processes but in doing so they have a negative impact on the nature of temporary employment. Moreover, the impact of local geographic and economic characteristics on TSAs can augment the insecure and contingent nature of employment in different local labour markets. Section 7.6 highlights the inherently social nature of the TSI and the importance of understanding this social regulation in relation to local variations in the industry and the labour market more widely.

The section argues that although the professionalisation of agency selection by procurement departments and neutral vendors can enhance the commodification of agency labour, the inherent importance of social relations prevents this. Indeed, relationships are remade under these national agreements in ways which resist and undermine the commodification of agency labour and reshape local labour markets in locally specific ways. Finally, section 7.7 discusses the importance of this research for wider debates in Geography. Further research and different ways that this research could be used in the future are identified in the final section of this chapter.

7.2 Key contributions

This research has shed new light on the activities and role of TSAs in the local labour market and made a number of key contributions to our understanding of labour market functioning and employment norms. It highlights the complexities of the interactions between agencies and their clients and how these can produce the local labour market in geographically variable ways. In particular, the geographic and economic characteristics of Birmingham have created an inherently competitive and 'incestuous' TSI which has developed its own structure and hierarchies through the distinct mix of different sized agencies in the city. This has affected the ways in which TSAs work with clients and how the labour market functions. Moreover, the research has analysed the relationships between TSAs and different client stakeholders, in one of the first substantial attempts in the TSI literature to scrutinise the priorities of the 'employer' in agency selection. Through doing this, the research has shown that relationships with different client stakeholders can affect the role of different TSAs within the local labour market and compel them to offset different risks onto temporary agency workers, whether this be finding the 'right' temps or finding the cheapest temps. In this section the key

contributions from this research are outlined in more detail and I identify where these were discussed in the thesis.

Key contributions:

1. The specific sectoral, economic and demographic characteristics of the local labour market can create local variations amongst the TSI which affect the activities of TSAs (i.e. spatial strategies and knowledge transfer) and the basic recruitment process in different areas.
2. The priorities of different stakeholders within the client firm (i.e. line manager, HR, procurement) and their function in agency selection has a significant impact on the role of different TSAs within the local labour market.
3. The ways in which contractual agreements (i.e. national agreements, master and neutral vendors) between agencies and clients are interpreted and implemented locally can reshape and restructure the TSI.
4. The size of different TSAs has a significant impact on their ability to meet the priorities (i.e. speed, quality of temps, compliance and cost) of client stakeholders. This, in turn, affects the structure of the TSI and the role of different TSAs in the local labour market.
5. The tactics of different sized agencies in the local labour market demonstrate new ways in which TSAs can make markets for temporary agency labour.
6. The types of relationships which develop between agency and clients locally have the potential to compound the precariousness and insecurity of temporary agency employment within the local labour market in different ways.

These key findings were discussed in Chapters Four, Five and Six and are reflected upon and further developed in this chapter. Chapter Four highlighted how the importance of manufacturing and logistics industries and a large pool of unemployed low-skilled labour in Birmingham has led to a host of small single-site, as well as national and multinational agencies in this sector. This has affected the spatial strategies of TSAs in the city which are forced to locate close to competitors in places that the labour pool can easily get to. The result is key agglomerations of TSAs in the city centre, on bus routes and main connecting roads around Birmingham. In addition, the evolution of the TSI in the city meant four key agencies

have acted as a seedbed for smaller local TSAs in the area. This geographical and historical proximity between agencies (and which has been directly affected by the characteristics of Birmingham's labour market) has created an "incestuous" (Interview 37) feeling in the industry and further intensified competition amongst agencies. As such, agencies distrusted competitors and were reluctant to talk with one another, which meant industry knowledge was spread in different ways through shared clients, 'temp messengers' and the movement of consultants. Interrogating these actors to gain insider knowledge became part of the daily activities of agencies and formed an important aspect of the competitive dynamics amongst TSAs in the area. This fierce competition, the dynamics of which are intensified in Birmingham's TSI, compounded the need for TSAs to develop strong relationships with line managers to secure business and heightened the importance of contractual agreements. Hence, Chapter Four demonstrated that *the specific sectoral, economic and demographic characteristics of the local labour market have influenced parts of Birmingham's TSI which in turn have affected the activities of TSAs and the process of recruitment* - i.e. how agencies source candidates, win new business and supply clients – and in this way created local variations in the TSI.

Chapter Five focused on the demand side of the recruitment process and the relationships between agencies and clients. The research, on the one hand, found that different client stakeholders had different priorities for the supply of agency labour. Line managers based agency selection on the speed of supply and the quality of temporary workers. Agencies which satisfied these criteria were more likely to be selected. On the other hand, HR and procurement prioritised uniform compliance checks and cost. Therefore, *which agencies work with which clients depends on which of these stakeholders is responsible for agency selection*. In turn, agencies which were selected by line managers may not be the same as those selected

by HR and procurement. Therefore, *who within the client firm is responsible for agency selection affects the way the TSI is structured*. Chapter Five also demonstrated that HR and procurement departments are using national agreements and master and neutral vendors to regain control of the supply of agency labour from line managers. In Birmingham these formal agreements were subject to local resistance and sabotage by competing agencies. The research showed that the likelihood of local resistance was allowed for in these wider agreements through contractual clauses and implementation teams designed to counteract the refusal of line managers and local agencies to work under these agreements. This is important because it demonstrates how *local actions* are having wider implications amongst the activities of TSAs. Master and neutral vendor agreements are also having an effect on the structure of the TSI by allowing 'mid-sized' TSAs to service clients they may otherwise not have been able to. In this way they disrupt the polarisation of the TSI suggested in the existing literature. Consequently, *the ways in which these contractual agreements are interpreted and implemented locally can reshape (i.e. increase the use of contractual clauses and implementation teams) and restructure (i.e. counteract polarisation by allowing other TSAs to work with large scale users) the TSI more widely.*

Chapter Six examined the supply side of the recruitment process and in doing so highlighted the importance of agency size on the operational practices of TSAs and their role in the local labour market. Initially, it observed that the existing literature gives relatively little account of agency size beyond the very largest and very smallest agencies. Yet TSAs in Birmingham did not fit clearly into these binary categories. As such, it assessed agency size using turnover, number of branches, number of direct employees, amount of temps 'on the books' and amount of temps 'on assignment'. Interview data was used to identify three key characteristics which varied according to the size of TSAs. These were: i) management

structure and consultant autonomy; ii) service provision and iii) infrastructure and branch networks. The research found that agencies of all sizes were competing for business at both the top-end and the bottom-end of the industrial/blue collar and driving industry across clients of all sizes. They were using different tactics to do this which were determined by their size dependent characteristics and made them more or less adept at winning business with different clients. Smaller TSAs could appeal to line managers through the provision of 'extra' service, greater flexibility due to the operational role of the owner, more experienced consultants and by providing the 'right' kind of temporary worker. On the other hand, larger agencies could meet the priorities of HR and procurement though the use of standardised compliance checks, provision of agency labour at multiple client sites, using tax schemes to reduce agency margin and providing seminars and documentation aimed at HR on the effects of new legislation. *In this way the size of the agency can affect which clients the agency works with and how the TSI is structured depending on which stakeholders within the client firm are responsible for agency selection.*

The following sections of this chapter draw together the main arguments discussed above and the existing literature to address the remaining contributions (numbers 5 and 6). In section 7.3 and 7.4 I discuss how the tactics of different sized agencies in the local labour market demonstrate new ways in which TSAs can make markets for temporary agency labour. Section 7.5 explores how the types of relationships which develop between agencies and clients locally have the potential to compound the precariousness and insecurity of temporary agency employment.

7.3 'Anywhere that we can get business we will go for business'[41]

In Birmingham agencies of all sizes would target a range of different clients within the local labour market. Different sized agencies used specific tactics to develop business at a local level. Consequently, *the local labour market can be viewed as a site for direct competition between agencies of all sizes and an arena in which agencies use different tactics that allow them to re-make and reproduce markets for temporary agency labour*. In this respect, three key issues are of relevance to the market making or marginalisation of different sized agencies. These are; the ability of smaller TSAs to bolt-on to wider more secure agreements; the local complexities of servicing national agreements; and how the disconnects between client stakeholders produce opportunities for market making.

7.3.1 Bolting-on to wider agreements

Smaller agencies are able to become part of wider agreements between larger agencies and client firms by becoming second-tier suppliers or working via a neutral vendor. This allows all agencies – and not just the large corporate agencies as suggested in the existing literature – to take advantage of the more secure and contractualised agreements that emerge due to the centralisation of recruitment. In this way, smaller and medium sized agencies can supply large corporate clients either indirectly as a second-tier supplier or directly through a neutral vendor. This finding makes a significant contribution to our understanding of the structure and hierarchies that develop in the TSI. Whilst Ward (2003) argues that second-tier arrangements appeal to agencies because they allow them to take advantage of the inability of their competitors to supply, this research suggests that becoming a second-tier agency has more complex underlying benefits.

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[41] Interview 21, Senior Consultant, national agency, 2011.

Acting as a second-tier agency via a master vendor or supplying via a neutral vendor allows some smaller or mid-sized TSAs to access and service larger clients that they would otherwise not be able to, and they can do this via a secure and regular agreement. Therefore, second-tier arrangements do not just provide TSAs an opportunity to out-do competitors, but instead provide a structural framework through which smaller TSAs can access larger scale users which they may otherwise not have been able to work with. Furthermore, this allows them access to business that is more secure, reliable and regular compared to the *ad hoc* or small scale supply they would otherwise rely on. For example:

> [National agency name] are a lot safer to supply to than Joe Blog's Transport directly because Joe Blogs Transport will hire a load of wagons and a load of drivers then go bust ... so it is a lot safer ... they [the master vendor] don't mess you about because they are almost part of the transport company (Interview 33, Regional Manager, small national agency).

In this way, the local labour market acts as a site in which wider agreements - made between 'national sales teams' and 'head office' (of large agencies with client firms) – can be accessed by other agencies without the infrastructure or branch networks capable of developing the agreements themselves.

Moreover, current literature has acknowledged the market making activities of larger agencies as they increase their functional integration within the client company, or as the Regional Manager above explains; they become "almost part of the transport company". However, the potential benefits of increased functional integration for other agencies on the fringes of these agreements, such as second-tier agencies, have not been the subject of detailed research. This research has shown that many smaller agencies benefit significantly from the greater functional integration of larger TSAs by bolting-on to these agreements and demonstrating a more hidden form of market making as a result. Therefore, *second-tier arrangements and*

neutral vendors allow smaller agencies to employ tactics in order to access these agreements locally which demonstrate a new type of market making. These wider agreements are interpreted and implemented locally in different ways some of which facilitate access to large scale users through secure and contractualised agreements amongst agencies which would otherwise not have had access to these clients. In this way smaller agencies go beyond the 'no frills' approach to temporary staffing and are doing more than supplying minimally processed labour as suggested in the existing literature (Peck & Theodore, 1998, 2002; Parker, 1994). Instead, they are working with the same clients as larger corporate agencies via second-tier agreements. These second-tier agreements are agreed locally between the local branch of the national agency and smaller TSAs. As a result, the research argues that the tactics of smaller agencies in the local labour market demonstrate new ways in which TSAs can make markets for temporary agency labour. At the same time their larger multinational competitors are demonstrating market making activity by winning the national contract and enhancing their own functional integration throughout the client firm. In this way, different TSAs demonstrate different tactics for market making nationally and locally and in turn may be marginalised in these different spheres by one another – as such TSAs are not either market makers or marginal players but they can be both and this may vary depending on the level at which we analyse their activities.

7.3.2 The local complexities of servicing national agreements

The second key issue relating to the local labour market as a site of market making or marginalisation relates to national agreements and local service. The research has demonstrated that although large agencies commonly establish national agreements with large scale users of temporary labour, servicing these agreements locally presents complex situations which have not been accounted for in the existing literature. This can cause some

agencies to become marginalised within the local labour market. For example, consultants from larger national and multinational agencies as well as some of the larger regional agencies in Birmingham demonstrated a strong focus on sales targets. Indeed, in many of these agencies the performance and progress of consultants was judged primarily on their monthly billing rate which was determined by the amount of money that they brought into the company each month through the profit they achieved by placing temporary workers. There were three main ways consultants could increase their monthly billing; i) by placing increasingly large volumes of temporary workers, ii) by charging clients larger margins per agency worker or iii) by developing their own clients which meant they would get a small 'cut' from any temp which was placed within their client regardless as to whether they sourced and placed the temp themselves. As such, there was a significant advantage for consultants in these agencies to place temporary workers within clients they had won themselves and with whom they had negotiated a relatively high margin. In contrast, there was little monetary advantage in placing temps into clients developed via national agreements which were invariably on lower rates than local *ad hoc* clients (due to the volume supply nationally mitigating the low margins locally), and which required consultants to place a much higher number of temps before they saw the same remuneration through their commission.

This meant that at a local level consultants from agencies with clients that had been won via a national agreement were often accused of putting these clients at the back of the queue and servicing their local clients (with whom they had a higher margin or they had won themselves) first or, providing them with 'better' temps that they knew would stay longer. The same issues were evident under neutral vendor agreements. Here, agencies discussed the temptation to service the higher margin clients first, and this often meant neglecting clients

using a neutral vendor that consistently had a lower margin than smaller *ad hoc* local clients. A key issue here is that individual consultants can only place so many temps on a daily basis. Therefore, the idea behind neutral vendors or national agreements - that the increased volume of temp's off-sets the lower margins - is less applicable to individual consultants who can only place a limited number of temps per day. This is compounded by emerging regulatory legislation such as the AWR. This means that consultants have more compliance checks per temp placement thus reducing the number of workers they can process in a given period of time and further enhancing the rationale behind placing fewer temps in higher paying clients.

The result of this is that larger agencies with national agreements can under deliver on service locally and be marginalised by other agencies. This marginalisation may occur when other (often smaller, owner-managed) agencies have developed a previous relationship with line managers that are then prepared to go 'off-panel' or outside their national agreements (from whom they are not receiving the service they require) and hence return to using local agencies. In this way the local tactics of consultants from larger agencies mean that wider agreements between large agencies and clients are not implemented locally as expected. *The result is that locally, larger agencies fail to supply clients and smaller TSAs can take this business either through a previous relationship or by outperforming their larger rivals.* Moreover, in many cases the local agency is often operating on higher margins than those associated with national agreements (thus explaining the decision to change agencies in the first place). Yet, the priorities of line managers mean that the local service from the national agreement is insufficient and as such they return to the local supplier in direct opposition of the wider agreement. As such, the failure to provide satisfactory local service to subsidiary sites of national clients means that some larger agencies are unable to compete with smaller owner-managed agencies operating at a local level. This demonstrates tactics of market

making and marginalisation amongst different sized agencies which compete directly within the local labour market. However, it also shows that in some cases smaller agencies may be unable to win back business or develop new clients through the subversion of national agreements and the strength of social relations and as such remain marginalised by the national agreement. In this way the thesis demonstrates that TSAs can be both market makers and marginal players and this depends on the social regulation and local interpretation of both contractual and informal agreements with clients.

7.3.3 Disconnects between client stakeholders

The third opportunity for market making or marginalisation within the local labour market occurs as a result of the different priorities of line managers and HR and procurement in the client firm. This in itself is not necessarily an opportunity for market making or marginalisation by different agencies. However, when these stakeholders fail to allow for the priorities of one another, opportunities arise for agencies to circumvent agreements between other TSAs and the client. I refer to this as a 'disconnect' between client stakeholders. The fundamentally different priorities of HR and procurement compared to line managers can create opportunities for market making or marginalisation if one of these stakeholders selects an agency without taking into account the priorities of the other. For example, a line manager may select the most *expensive* TSA because they provide the 'best' temps more quickly than other agencies. In this case it is likely that this TSA will not be the most desirable agency for HR or procurement (because of their priority for cost reduction) in which case these stakeholders will enlist a cheaper agency which the line manager will be contractually obliged to use. Indeed, a similar situation is likely to occur if HR or procurement select an agency which is very cost effective and can provide rigorous compliance checks but is slow at placing

temps. In this case it is more likely the line manager will resist the use of this TSA in favour of an agency which can provide temps more quickly.

There were numerous instances in which this disconnect between line managers and HR and procurement created opportunities for different agencies to begin servicing clients. One of the most common was the selection of an agency by HR or procurement through a formal tender which overrules the use of the incumbent agency selected by the line manager. Another common situation relates to line managers resisting or rejecting agencies that had been selected by HR or procurement and instead continuing to use their local agency. The key here is that perceptions of the most appropriate agency to appoint – according to HR and procurement – may not necessarily be perceived in a similar way by line managers and *vice versa.* When these stakeholders fail to allow for the priorities of one another it creates an opportunity for market making or marginalisation by different TSAs. This reinforces the importance of relationships (contractual and social) within the TSI – both *between* agencies and clients and *within* client firms – and the potential for these interactions and relationships to reshape and remake markets for temporary staffing. This disconnect between client stakeholders and the associated modification of agency selection will manifest locally and affect the production of the local labour market, not because decisions made at a national level (or by central departments) overrule those made locally, but instead because of the relationships which exist within the TSI and locally specific disconnects between client stakeholders.

Although relationships with line managers were increasingly becoming overruled by central HR/procurement departments as volume usage increased, these relationships were by no means obsolete or less important within the industry, which is what much of the existing literature suggests. In fact, the research demonstrates that the role of line managers is very

important - particularly in highlighting that firms do not act with a homogenous view of what they want from agencies. Instead there are different actors involved that have different priorities with regards to the supply of temporary staff. The key here is determining who is responsible for agency selection and how this impacts the structure of the TSI and the role of different agencies in the local labour market. Barley and Kunda (2004) identified a similar issue in their study of the use of skilled contractors by IT firms. They found that the reasons behind why firms use contractors can differ depending on whom they asked within the firm. For example:

> ...senior and mid-level managers emphasized reasons for hiring contractors that were less salient to hiring-managers and employees. Moreover, hiring-managers appealed to motives that employees never mentioned, and employees emphasized reasons that were considerably less important to mangers. It was as if each level of the organization viewed the use of contractors through a slightly different lens (Barley & Kunda, 2004:40).

Barley and Kunda (2004) highlight a similar phenomenon to that discussed in this research – that different actors within the client firm have different priorities – but in their case it was with reference to why firms *use* agency labour (in their case, contractors). This research has shown that this phenomenon has significant impacts on why firms use *certain* agencies over others and what effect this can have on the structure of the TSI. Moreover, this research has demonstrated that the differences between line managers, HR and procurement play out at a local level and as such it is within the local labour market that the disconnect between these stakeholders can create opportunities for different agencies to be selected. It is within the local labour market that certain opportunities for market making – i.e. demand creation, winning new clients and maintaining business – emerge. Yet, these opportunities have not been fully considered in the existing literature.

The local labour market presents an arena in which opportunities for market making or

marginalisation are available which have not been identified through a top-down examination of the TSI or national analysis. Moreover, TSAs of different sizes use specific tactics at this level to develop new markets, create demand and impact employment practices. Locally, temporary staffing is a complex and messy industry which incorporates a diverse range of ways in which individual behaviour is embodied in a broader framework of employment and recruitment and which can have significant impacts on the TSI and the local labour market. Accounting for these social relations and being sensitive to the inherently spatial impacts on temporary staffing has allowed this thesis to uncover and examine why the TSI operates as it does in different places and what impact this has for agencies in the local labour market.

The research has also demonstrated that local labour markets embody an arena in which agencies of all sizes are competing with one another and as such can be a site for new types of market making or marginalisation. As the branch manager of a Multinational agency explained: "We have two competitors - the nationals that compete on a large scale and the local ones that compete on the *ad hoc*" (Interview 35). This means that nationally, larger agencies can actively produce markets by lobbying government and international bodies for favourable regulation, acting as governmental advisors, diversifying and internationalising and proffering the benefits of their flexibility packages to large corporate clients (Gonos, 1997; Peck & Theodore, 2002; Ward, 2004; Peck *et al*., 2005; Kuptsch, 2006; Coe *et al.,* 2007*,* 2008, 2009). At the same time, locally these agencies have to find new ways of developing business and employ new tactics for making their markets. One of the ways they do this is by developing relationships with different stakeholders locally, thus allowing them to influence employment and recruitment in different ways through social regulation of these relationships. In this way, large multinational agencies face different challenges and

opportunities at a local level to actively shape markets. Moreover, there are opportunities at a local level for smaller agencies to re-shape markets for temporary staffing through the tactics discussed above and by developing different social relationships. Therefore, although existing research suggests that markets for temporary staffing are being made and created by large multinational agencies this research has demonstrated that in fact agencies of all sizes have different abilities and use different tactics to influence the use of temporary staff and socially regulate employment practices at a local level.

7.4 Independent agencies opening-up new markets

The research identified that smaller independent agencies compete with larger national and multinational agencies in the local labour market for local *ad hoc* and small scale clients. In addition, independent agencies were beginning to compete with national and multinational agencies for larger high-volume clients *beyond* the sphere of the local labour market. They were doing this by collaborating together to exploit the branch networks, infrastructure and locations of other independent agencies, thus allowing them to win new clients or work with subsidiary sites of existing clients.

Three independent agencies that participated in this research were members of organisations which linked them with other independent agencies in different areas. These organisations formed wider networks through which smaller TSAs could pass on client business in places where they didn't have an office. These agencies were part of either The Employment Agencies Movement (TEAM) or 24/7 Staff which were designed to allow smaller independent agencies to work together and compete for business against larger agencies. Participants noted that these organisations allowed client companies to benefit from certain aspects of service offered by smaller independent agencies whilst also benefiting from branch

networks and infrastructure typically offered by larger national and multinational agencies. As the regional director for TEAM explained:

> Through the TEAM network, we sell the fact that you are working with another independent agency. It's quite a selling point to be an independent because they [the clients] know you *haven't got the hierarchy*, you haven't got a head office telling you that the rules are black and white and *the business owner is often more flexible* and service is paramount and you have *less turnover of staff* than a national does so you have more of a relationship there. So what we [small independent agency] would sell is the fact that we have an independent partner that's in Hull (for example) so they [the client] can still have one point of contact, they can still deal with their account manager. ...but you have agency B in Hull, they put the candidates from their database over to us, we still pre-screen and interview them ... then through TEAM we split it, so we actually split the fee 50/50 or 70/30 depending (Interview 29, Owner, single-site agency / TEAM regional director).

This highlights many of the size dependent characteristics discussed in Chapter Six and how these can benefit the client firm when working with a smaller agency. It also reveals how independent agencies can market the benefits associated with their smaller size while also developing the advantages associated with some larger agencies. These include, "access to job board prices that would only be available to national agencies, to insurance brokers and first class legal information" (Interview 60, UK Director of TEAM) as well as extended branch networks and standardised compliance checks. As a result, smaller independent agencies "have got a wealth of knowledge and cost savings available to them" (Interview 60) which they can use to compete with larger TSAs. Hence TEAM and 24/7 Staff use the characteristics of smaller agencies to sell the benefits of working with this type of agency while providing the networks necessary to facilitate the supply of large volumes and larger clients. In this way, TEAM and 24/7 Staff allow smaller agencies to appeal to line managers (through the provision of personal, flexible service) as well as procurement and HR (through

standardised recruitment practices across multiple locations, sophisticated processing systems and reduced rates due to volume supply). Therefore, smaller agencies are able to "punch above their weight so that they can be seen as a much bigger agency" (interview 60) and "provide a service like the large agencies" (Interview 13).

Working together in this way means that independent agencies are able to access markets which they may otherwise not have been able to and even develop national agreements and master vendor contracts with larger clients. Furthermore, they are able to sell themselves to HR and procurement departments more effectively by offering higher volume placements and reduced margins and a standardised compliance procedure throughout all independent partner agencies. *This demonstrates an opening-up of new markets by smaller independent agencies and in turn a re-shaping of the structure and hierarchies within the TSI* which has not yet been allowed for in the existing literature.

Only by developing a more in-depth and comprehensive understanding of agency size, and more specifically why and how size matters within the TSI, can we really understand the benefits of organisations such as TEAM and 24/7 Staff. Without understanding why clients may prefer to work with certain agencies – i.e. by understanding who within the firm is responsible for agency selection and how size dependent characteristics make certain agencies more adept at meeting different criteria for agency selection – we would not be able to understand the benefits of working through organisations like these. Yet, as TEAM and 24/7 Staff note, there are specific benefits to working with a smaller agency and indeed "it is quite a selling point to be an independent" (Interview 29). Despite the distinct selling points of size, there is little discussion within the existing literature about why clients work with certain agencies and not others (as stated in Chapter Four). This research has made a significant contribution to this discussion. It has shown how these decisions regarding agency selection

create possibilities for either market making or marginalisation between different sized agencies and by developing similar characteristics to those that advantage larger agencies, smaller independents can make new markets for themselves amongst a much wider array of clients.

7.5 Local relationships compounding precarious labour markets

This section discusses the final key contribution of the research. It argues that *the types of relationships which develop between agencies and clients locally have the potential to compound the precariousness and insecurity of temporary agency employment in different ways.* This research showed that TSAs in the local labour market can increase the security of their business and the clients they work with by developing a strong relationship with line managers. This is particularly important for smaller agencies that rely primarily on *ad hoc* small scale user firms whereas larger TSAs have a wider range of clients many of which are secured through contractual agreements. The research highlighted that arrangements between agencies and line managers are often insecure and unregulated (relative to the arrangements which are typical via HR and procurement). Indeed, evidence showed that line managers are free to change agencies at short notice, as highlighted by this agency manager:

> ...someone [a TSA] has only got to offer some football tickets or a crate of beer to a site manager, and that site manager the next time he needs a temp he will give somebody else [another TSA] a try (Interview 18, Regional Director, national agency).

Meeting the priorities of line managers is one way agencies can reinforce or strengthen their relationship with these stakeholders and in doing so increase the chances that line managers use their agency again. If TSAs don't meet line managers needs for a quick response to supply requests – and with high quality temporary workers – agencies risk line managers approaching their competitors and/or changing supplying agencies. In attempts to secure this

relationship, smaller TSAs can provide line managers with 'extra' service - such as filling vacancies themselves, providing regular or repeat workers or delivering temps to the client site. This can increase their chances of line managers using them again and not moving to a different agency. In this way the insecurity of the relationship between agencies and line managers can be off-set by agencies onto temporary agency workers by keeping 'good quality', regular or reliable temps free in order to fill certain client's needs at short notice or preventing them from taking work with clients that may take them 'off the books' (i.e. that may turn into permanent employment). These activities enhance the contingent and insecure nature of temporary agency employment.

When comparing labour market intermediaries (LMIs) in Milwaukie and Silicon Valley and their role in the employment of low-wage workers Benner *et al*. (2007:81) refer to 'market-making' activities as those which allow labour market intermediaries (including temporary help agencies) to "directly affect the quality and characteristics of jobs". Benner *et al*. (2007) argue that one of the ways in which TSAs are performing a market making role in the labour market is by becoming the 'employer of record' for temporary workers meaning they take on all the legal responsibilities of being the employer thus alleviating many of the costs associated with direct employment (as discussed in Chapter Two). By doing this, temp agencies are indirectly affecting the quality of jobs and the institutional dynamics shaping employment conditions. The research in Birmingham makes an important addition to Benner *et al*.'s (2007) assertion. The influence of TSAs on employment conditions and temporary work is significantly influenced by the nature of the relationship they have with different stakeholders in the client firm.

The insecure and unregulated relationship with line managers can be mitigated by meeting the line manager's key criteria for 'good quality' temps. In addition to supplying temps with

the right skill set, TSAs can enhance the quality of their temps by providing regular workers (that the client has employed before) and the 'right' kind of temp. This may depend on explicit or implicit requests for certain ethnic groups, sexes or ages of employees. As a means of supplying line managers with repeat workers agencies would keep regular workers free in anticipation for requests from important clients or, pull certain temps off assignments to place them with their regular client. In this way agencies are increasing the contingent nature of temporary agency work; agency temps are expected to be available on demand to work for the agency's regular client and when this client doesn't need them their regular temps are expected to wait (often without further work) until they do. Additionally, keeping temps free to work for regular clients - by pulling them off other assignments or not placing them elsewhere - enhances the precarity of agency work meaning some regular temps may miss out on assignments with other employers and potentially the chance for permanent work. This raises further questions about the role of temporary agency work in the life cycle of workers and the role of temporary agency work as a means to permanent employment. In essence, if regular temps are deliberately kept off assignments and placed with regular clients, there is a need to consider if this reduces their chance of finding permanent employment and instead keeps them locked into a cycle of temporary placements, albeit with the same employer.

TSAs can also supply 'good quality' temporary workers by finding the 'right kind' of worker and developing a sound understanding of 'what clients want'. This often meant discriminating against certain groups of workers and not sending specific ethnic groups, sexes or ages of temps to the client either as a result of direct requests from line managers or due to an unspoken understanding of what the client was looking for. As one interviewee put it: "if they don't want Martians I don't send them Martians" (Interview nine). Screening

agency workers according to discriminatory criteria not only increases the precarity of agency work for these groups of workers but also institutionalises segmentation in the local labour market. TSAs can affect which groups of workers are more or less likely to work in temporary agency work in the local area. In this way, TSAs directly affect the quality and characteristics of jobs and employment in the local labour market for different groups. This rests largely on the nature of the relationship with client stakeholders. When this relationship is insecure and informal, as it is with line managers, agencies can offset this risk onto temporary agency workers and increase the insecurity of agency employment. In asserting that TSAs have the potential to increase the precarity and insecurity of employment for temporary agency workers, this research recognises the problems associated with framing this group as passive or powerless. Instead, it takes note of the wide body of literature which addresses the agency of workers, both as an organised group and individually, and their potential to resist and influence forms of labour market segmentation and precarity (see Coe & Jordhus-Lier, 2010; Lier, 2007).

Relationships with HR and procurement can also increase the insecure, contingent and precarious nature of temporary agency work. Relationships with HR and procurement were more formal, regulated and often based on contractual performance indicators and restrictions. Hence, there is less opportunity for line managers to change agencies without reasons relating to contractual obligations. The research demonstrated that line managers will resist contracted agencies and move back to their regular TSAs despite contractual restrictions. Indeed, even larger agencies have a motivation to secure their relationship with line managers through the provision of ‘good quality’ temps. Nonetheless, under these more secure agreements, agencies face less risk of line managers moving to different agencies if they don't send regular workers or the ‘right’ kind of worker. Even so, agreements between

TSAs and HR/procurement can directly affect the quality and characteristics of employment. Agreements with HR and procurement are based on low agency margins which are offset by large volumes of supply through a neutral vendor or national agreement. This minimising of agency margins is inevitably passed down to temporary agency workers whose wages are squeezed (if they are not already on minimum wage) and who can further lose out through tax schemes such as the Travel and Subsistence schemes mentioned in Chapter Six.

Agencies can actively reshape and make markets for temporary labour due to their activities within the local labour market. One way they do this is through the relationships they develop with different stakeholders within the client firm. Agencies can off-set the risks associated with this relationship – such as the insecurity of line management relationship or the low-margins associated with HR and procurement – onto temporary agency workers in different ways. A uniting feature though of these off-set costs is the heightened insecurity, precarity and contingent nature of temporary agency employment in the local labour market. In this way, agencies of all sizes are demonstrating activities which constitute market making. Yet, their impact on job characteristics will vary depending on which stakeholders their relationship is with.

Benner *et al*. (2007:89) note that "agencies are becoming the key screener or interface between workers and firms". This research adds a further insight to this point by demonstrating that the criteria against which workers are screened by agencies can depend on the type of agency and their relationship with the client. Smaller agencies are more likely to have been selected by line managers, and as a way of securing these informal relationships, are more likely to screen workers for regular temps or the 'right kind' of temps. Whereas larger agencies that have national agreements or work via a neutral vendor are less likely to lose business with line managers because of their contractual agreements

with central departments. Therefore, they are more likely to screen workers according to the criteria of HR and procurement meaning tighter compliance checks (for example, references and previous work history checks) and cost minimisation (for example, are temps willing to work for minimum wage). Only by understanding who within the client firm is responsible for agency selection, and how this influences the actions of the agency locally, can we fully understand how and why agencies are having an impact on the quality of jobs within the local labour market.

7.6 A socially structured and locally variable industry

The activities of TSAs locally and the relationships they develop between other agencies and clients in the surrounding area impact the structure of the TSI. These local relationships also influence the role of agencies within the local labour market and the impact they have on employment norms and practices. The local characteristics of Birmingham's (and the West Midlands) geography and economy have produced specific qualities within the temporary staffing market in the city. These characteristics have created a TSI in the area that demonstrates above average numbers of industrial and driving agencies, a feeling of smallness – due to the geographical proximity of agencies (in key agglomerations) and the specific evolution of the TSI in the city – a possessive and protectionist attitude towards clients and a need for more secure and contractual relationships designed to protect client, temps and the movement of consultants. This has had an impact on the activities of TSAs locally and the process of recruitment, and as such different sized agencies have used different tactics to actively remake markets for temporary staffing. To understand how local labour markets function we must take into account how the TSI is socially regulated through relationships, interactions and agreements between agencies and clients. Furthermore, the intricacies and complexities of this social regulation, which have been discussed throughout

this thesis, will vary in locally specific ways depending on the characteristics of the local labour market and the mix of clients and agencies in that area.

One of the most illustrative examples of the significance of social regulation in the local TSI is the role of procurement and neutral vendors. From preliminary analysis it appears that the professionalisation of agency selection by procurement and neutral vendors is removing control from agencies. By centralising cost and reducing agency margins as much as possible, procurement departments are arguably commodifying agency labour. They are removing any distinguishing attributes from this group aside from cost – it becomes a commodity. This is not a new assertion; Fisher (1951) has argued that the role of labour contractors throughout the 1880s-1940s was a prime example of neoclassical economics. By sourcing, mobilising and placing migrant workers these intermediaries were disrupting daily life and community existence amongst these workers so much so that they created asocial labour relations. These, Fisher argued, began to resemble commodity markets. Building on this concept, Doeringer and Piore (1971) claim that the labour market experiences of migrant harvest workers in California are "the paradigm of such a competitive system" (Doeringer & Piore, 1971:5).

Indeed, it would appear that the use of neutral vendors in "screwing the agencies" (Interview 46) and procurement in prioritising cost has made a return to such a competitive, cost centric system. However, deeper analysis, such as that provided in this research, rejects this theory. This research has shown that locally the professionalisation of recruitment and the commodification of agency labour has been resisted and reshaped by local relationships. For example, the subversion of national agreements, the use of second-tier suppliers, the problems of 'off-panel' spend, the use of repeat workers, the disobedience of line managers and many of the other issues raised in this thesis are examples of social regulation amongst

an industry which is not only concerned with cost. Although procurement and neutral vendors have disrupted local relationships, these relations have been remade at a local level under these new contractual agreements. Such is the inherent importance of social relations in the TSI that social regulation has resisted and undermined the commodification of agency labour and reshaped labour markets in locally specific ways

This research contributes to theoretical understandings and analyses of the TSI and labour market functioning more widely by highlighting the importance of these social interactions and relations. In contrast to orthodox economic arguments which suggest that labour markets are regulated by price mechanisms and function more effectively as 'pure' 'frictionless' markets and, in difference to the neoliberal agendas which underlie much of the policy relating to labour market deregulation, this research has shown that TSAs – as an important institutional presence within our labour markets – are regulated by a complex and wide ranging set of social interactions.

Furthermore, these forms of social regulation vary over space because of the specific geographic and economic characteristics of the local area such as the institutional mix, the range of different sized TSAs, the specific evolution of the TSI, the sectoral and demographic breakdown of the area and the locational strategies of TSAs. This is also important for our understanding of local labour markets. If the TSI varies locally and – by proxy – the impact of different agencies on the labour market, then we can expect local variations in the TSI to reinforce local variations in the labour market. Indeed Peck (1996:11) notes that "the geographic distinctiveness of labor markets *stems from variability in the social and institutional fabric* that sustains and regulates capitalist employment relations." (emphasis added, see also Storper & Walker, 1989). In light of this, the research on TSAs in Birmingham has provided an insightful focus on the structure of the industry and

how it works. It has also contributed to our understanding of how local labour markets are socially regulated and the role of one of the institutions (TSAs) within the local variability of these labour markets. Moulaert (1987 in Peck, 1996:12) has argued that "labor markets are institutionalized and regulated in locally specific ways," this research has demonstrated how local variations in the TSI and the diverse ways in which the industry operates in different places can contribute to local variations in the social regulation of labour markets. As geographers attempt to address how local labour markets function in locally specific ways and what it is that is 'local' about the local labour market, this research makes a significant contribution to this debate. This, perhaps, is one of the biggest achievements of this research.

7.7 Directions for future study

Throughout this research I was struck with many exciting ideas and possible directions for future research. There is obvious potential for comparative studies which would use a similar methodological approach to analyse the local TSIs of other areas or sectors. This type of comparative research would make use of the themes that emerged from this study and test them in different cities and/or among agencies which recruit for different sectors. Research of this nature would provide an opportunity to test how different labour market characteristics manifest in other areas and the impact of this on the process of recruitment. It would be possible to explore if Birmingham's TSI is unique or similar to other areas with a comparable geographic and/or economic context. Similarly, comparative research would highlight the significance of other external influences on the TSI. Comparative studies which explored similarities or differences between agencies recruiting in different sectors of the labour market would also build on the findings here, especially in relation to the structure and hierarchies which develop amongst industrial/blue collar and driving agencies.

Building on this idea, future research that compared local service on national agreements in different branches of the client firm would be particularly interesting. This type of project could analyse a national agreement used by a large client firm and through focus groups with line managers in different client sites explore differences in local service. Future research of this nature would elaborate on the ways that local relationships are reshaped and remade under the influence of wider contractual agreements and how this changes in different localities . Indeed, the effect of wider agreements on the remaking of social relations is one of the most exciting and enlightening avenues for future research on the TSI that this research develops.

Future research would also explore the impact of this research for wider debates on scale in geography. As this study has shown, the activities of agencies locally have the potential to influence wider agreements in the TSI. Moreover, these wider agreements are also disrupting local relationships which are then being remade in new ways according to the impact of these contractual agreements. In this respect, there are two key impacts on the social regulation of the TSI - those from other local stakeholders and those from national contracts. Consequently, it is not sufficient to consider the activities of TSAs from only a local or national perspective and this research has relied heavily on previous research to avoid this. Future research must take account of the level at which decisions are being made as well as where these decisions are articulated. As such, we cannot separate future research into a local and national understanding of the TSI. Instead, we should endeavour to understand how the activities of agencies at different levels interact and overlap.

Although not discussed explicitly in this thesis, this research identified a number of issues which would also benefit from future research. The derogatory way in which recruitment consultants, managers and even owners of TSAs talked about the temporary workers they

placed and the type of work they were doing was, at times, shocking. In many cases agencies referred to temps as "the arms and legs" (Interview 22, 30, 46, 52) and frequently suggested that the temps were unreliable, untrustworthy and "stupid" (Interview 46). Future research which explored the attitudes of recruitment consultant towards the temporary workers they were placing would add new insights into the unseen challenges that this group of people face in the labour market. It may also tell us more about the risks that such intermediaries can place on people employed in temporary agency work.

Finally, this research raises issues over flexibility which could be explored further in future research. For example, the research demonstrated that the informal relationships between line managers and smaller TSAs facilitated greater flexibility relating to the placement of temporary staff. This was due to the reduced importance placed on compliance checks by line managers, less negotiation over cost and agency margin and a greater understanding (implicit or explicit) of what the line manager was looking for (i.e. his regular temps or certain ethnic groups, sexes or ages) all of which made recruitment faster and mismatch less likely. On the other hand, agreements with HR and procurement also facilitated flexibility. They allowed for the placement of large volumes of agency labour, reduced the impact of increasing compliance within the TSI and standardised placements across subsidiary client sites. As such, both types of agreements facilitate a different aspect of the flexibility which the TSI has come to represent. Therefore, future research may give greater consideration to current notions of flexibility and how these map onto or apply to the TSI in different circumstances.

7.8 Concluding thoughts

Ultimately this research has shown that the role of TSAs in the labour market and employment practices is complex. Despite existing research taking a top down approach to

this role and focusing predominantly on the impact of the largest TSAs, this research has shown that many of the impacts of TSAs are articulated locally amongst agencies of all sizes. These impacts affect how we are employed, which companies we work for and where and how we find jobs. Not only this, the research has demonstrated that actors and stakeholders which, until now, have received very little attention in the temporary staffing literature, are inherently important in determining the structure of the TSI and the role of different TSAs in the local labour market.

This research adds insight into the impacts of the flexibilisation and liberalisation of labour markets on some of society's most vulnerable workers. Temporary agency workers represent a growing proportion of the UK's workforce and a group that has been relied upon to protect firms during recessions and help them rebuild in periods of recovery. Yet, TSAs have come to rely on the contingent and precarious nature of agency employment to secure their own success in increasingly volatile labour markets. As TSAs make markets they simultaneously create more precarious and contingent employment for groups of society – *they make precarious markets*. Therefore, when attempting to understand how labour markets function future research should not underestimate the role of TSAs in the continual reproduction of precarious and insecure employment.

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Abstract

The world of work continues to change. Labour markets in most countries are increasingly shaped by policies of neoliberal deregulation while strategies of flexibility dominate public policy and corporate strategy across an array of sectors. At the forefront of these changes are the myriad labour market intermediaries that are used by workers and employees to enhance their ability to navigate ever more complex and volatile labour markets. For some, mediated employment, recruitment and work practices mean greater career progression and profit making ability, but for many others it means increased precarity, vulnerability and insecurity. This paper critically reviews existing literature within geography on three types of private labour market intermediary, namely; temporary staffing agencies and contract brokers; executive search firms and headhunters and; informal intermediaries such as gangmasters. The final section addresses the future for research in labour geography and, in particular, suggests new ways in which to broaden our understanding of labour market intermediaries and their impact on worker agency.

Introduction

Since the 1970s labour market deregulation and flexible employment practices have led to a "frenzy of academic and populist speculation about the future of work" (Wills 2009, 442). Recently described by the Labour Party leader as "nasty, brutish and short-term" (Wintour & Topping 2012) the contemporary UK labour market, and indeed that of many other countries,

is fundamentally characterised by the increasingly individualised nature of work and the growing 'contractualization' of employment (Standing, cited in Allen & Henry 1997, 180). For workers at the lower-end of the labour market this means increased risk and insecurity (Allen & Henry 1997) whereas, for the "desirably qualified" it can mean enhanced career development (Wills 2009, 443). Nonetheless, for employees of all types their future success and security increasingly depends on their ability to navigate ever more complex and volatile labour markets (Benner 2002). As such, employers and employees across an assortment of sectors and skill sets are using labour market intermediaries (LMIs) to help them do just that. Yet, Benner (2002, 86) points out that 'few studies of labor [sic] markets even recognise the importance of intermediaries'. This is beginning to change as a growing body of literature reconsiders the significance of LMIs, and their explosive growth, on workers, employers and labour markets. This paper reviews the existing geographical literature across three groups of LMIs; temporary staffing agencies (TSAs) and contract brokers; executive search firms and headhunters; and the emerging research agenda in the less well developed area of informal intermediaries and gangmasters. The paper then suggests how future research can take forward our understanding of LMIs and their impact on labour agency.

Labour market intermediaries comprise a broad range of organisations that help match people looking for work with employers. The existence of these organisations is not a new phenomenon; public sector employment services, union hiring halls, and temporary placement agencies for example, have been around for a long time (Benner et al. 2007). However, the number, variety and impact of LMIs has increased significantly since the 1980s. As such, researchers and policymakers have focused their attention on certain types of intermediaries such as temporary staffing agencies and headhunters. But, others remain less well studied, for example, gangmasters and internet-based job boards. Chris Benner provides one of the few in-depth explorations, from a geographical perspective, of multiple LMIs. In

Work in the New Economy (2002) and *Staircases or Treadmills?* (2007) Benner and colleagues examine the role of different LMIs among groups of workers in the knowledge economy of Silicon Valley and in aiding low-wage workers in Milwaukee.

Traditionally the definition of a LMIs referred to the brokering or matching of activities in which employers and job seekers use a third party to help find a 'best match' (National Commission of Manpower Policy 1978 in Benner 2002). However, Benner (2002, 2003) suggests that a more comprehensive definition should consider four fundamental functions that LMIs perform within the labour market. These include: reducing transaction costs, shaping compensation levels, risk displacement (particularly onto workers) and network building. By considering these four actions Benner takes into account the traditional transaction cost approach but is also able to consider the wider non-market social relationships that shape the economic transactions between intermediaries and workers/employers, and which are not driven solely by pricing and efficiency. The legal definition of LMIs is also a point of contention especially in relation to regulation and the repercussions for workers (Gonos 1997). Indeed, labour advocates in both the US and UK have argued that a clearer legal status is needed for different types of profit-making LMIs in order to "effectuate a fair regime of regulation for these formidable players in the labour relations arena" (Freedland 2003; Freeman & Gonos 2005, 295).

The experiences of workers at all levels of the labour market can depend on the organisational structure and remit of the intermediaries they interact with. Benner (2002) identifies three broad types of LMI; private sector, membership-based and public sector. There are numerous organisations within each group; this paper focuses on three different types of *private for-profit* LMIs (TSAs, headhunters and gangmasters) and considers their recent explosive growth and *active* role in shaping labour markets, changing employment relations and *creating* markets. Coe and Jordhus-Lier (2010, 226) argue that "profit-making

intermediaries represent a unique fraction of capital... that provides an increasingly important range of labour market services". Within low-end temporary and highly skilled elite labour markets academics have argued that private, profit-seeking LMIs are driving market development and changing employment norms (Peck & Theodore 2002; Faulconbridge et al. 2008). Whereas, public and membership-based intermediaries are more likely to emerge as a *response* to rapidly changing and volatile employment conditions (Benner 2002). Public sector and membership-based intermediaries such as training/education institutions, professional guilds, trade associations and unions primarily aim to improve the labour market outcomes for workers. While, private sector LMIs generate profit by selling their services to employers. Indeed, Peck and Theodore (1998, 660) note that "profit is derived from giving employers 'what they want'" and "a premium is placed on meeting client expectations", in many cases this means passing risks onto workers (Allen & Henry 1997).

Labour market intermediaries and flexibility

The burgeoning use of LMIs by firms and workers should be understood within the wider context of neoliberal labour market deregulation and the insurgence of *flexibility* within labour market policy and corporate strategy. Flexibility remains a contested and value laden concept, holding different meanings depending on those analysing it (see, for example, Buzar 2008). Peck (1996, 150) argues that "[t]o bundle all forms of contemporary labor [sic] market restructuring together under the generic and increasingly elastic term 'flexibility' is manifestly inadequate". Indeed, there is insufficient room in this paper to unpack such a laden term. Nonetheless, we can learn a lot about the rapidly increasing use of private sector LMIs by exploring how others have analysed their role in relation to increasingly flexible labour markets.

Many have critically examined the massive changes in employment and labour markets since the mid 1970s (Osterman 1999; Kalleberg 2001, 2009). This 'neoliberal revolution' has been characterised by a period of intensified economic integration and global competition, the outsourcing of manufacturing and the concomitant emphasis on knowledge-intensive work (Kalleberg 2009). Furthermore, there has been an ideological shift in our *view* of work away from the secure, unionised, life-long career common during the post-war era towards contractualised, individualised and often insecure employment. Increased global competition has enhanced the need for firms to react quickly to market fluctuations while externalising the costs of market downturns. This has led to a systemic enforcement within public policy and corporate strategy of flexibility initiatives designed to enhance the functioning of 'frictionless' markets and corporate competition (Crouch 2010). The growth of LMIs has been a response to this fever of flexibility as well as a compounding force for it. Indeed, Benner (2002, 6) states that;

> Flexibility in regional labor [sic] markets contributes to the growth of intermediaries, which in turn help facilitate labor market flexibility – in essence labor market intermediaries are a fundamental feature of labor markets in the information economy.

Firms may introduce flexibility into their corporate strategies in three ways; through attempts to individualise employment relations and wage bargaining by weakening trade unions; by multi-skilling workers within the firm and redeploying them throughout the workplace (internal or functional flexibility) or; through the use of part-time or temporary workers to facilitate rapid quantitative adjustments in labour (external or numerical flexibility) (Atkinson 1984; Atkinson & Meager 1986; Dale & Bamford 1988; Storper & Scott 1990; Peck 1996).

Certain LMIs such as TSAs and contract brokers facilitate flexible staffing arrangements and are increasingly used by firms to externalise employment and achieve greater numerical

flexibility (see Kalleberg & Marsden 2005). Other LMIs such as employment agencies and headhunters are expanding their remit of activity to facilitate labour market flexibility for both firms and workers and further aid in the navigation of complex and unpredictable labour markets, as such; intermediary institutions are reshaping the dynamics of flexible labour markets (Benner 2002).

It has been argued that TSAs play a strategically important role in delivering labour market flexibility by acting as purveyors of flexibility and offering a range of 'flexibility packages' across a growing number of sectors and countries (Peck & Theodore 2002; Ward 2005; Coe et al. 2010). By quickly sourcing large numbers of contingent workers and providing less restrictive employment contracts TSAs provide a new institutional medium through which firms can transfer the shocks of fluctuating product demand and off-load the risks of economic uncertainty onto workers who ultimately "bear the greatest burdens of this 'new flexibility'" (Peck & Theodore 1998, 661, see also Allen & Henry 1997; Van Breugel et al. 2005).

Temporary staffing agencies and contract brokers

Temporary staffing agencies (also defined as temporary help firms/temporary work agencies) and contract brokers facilitate the outsourcing of jobs to contingent workers on open-ended contracts with limited fringe benefits (Purcell et al. 2004). Although the name suggests short-term placements, many 'temps' or 'contractors' are often employed on long-term or rolling contracts referred to as 'perma-temps' (Peck & Theodore 2007; Smith & Neuwirth 2008; Coe et al. 2010) or used by firms to screen potential permanent employees with no obligation through 'temp-to-perm' agreements (Ward et al. 2001; Theodore & Peck 2002; Benner et al. 2003). Research has shown that routine, peripheral work (e.g. call centre workers or production/warehouse operatives) and outside expert jobs, especially those where skills are

required only periodically (e.g. web developers), lend themselves particularly well to outsourcing via this type of intermediary (Purcell et al. 2004).

Employers utilise these arrangements as a strategic alternative to direct employment during fluctuations in demand, to cover short term absenteeism, when (non-firm-specific) expert skills are required, for seasonal agricultural work or unsociable shifts patterns (Peck & Theodore 1998; Purcell et al. 2004; McDowell et al. 2009). These intermediaries charge client firms a fee based on the hourly wage of each temp. Although hourly rates are not necessarily cheaper via these LMIs, clients often make cost savings through benefit reductions, lower exit costs and minimal screening and training (Purcell et al. 2004). TSAs and contract brokers can be characterised by the *triangular relationship* between the LMI, the temporary employee and the client firm (Forde 2001; Druker & Stanworth 2004; UNITE 2007). This relationship creates distinctive dynamics vis-à-vis direct employment or recruitment via permanent employment agencies regarding, for example; mechanisms of 'dual control' over temps (Gottfried 1991, 1992), the commitment of contingent workers towards host organisations (Van Breugel et al. 2005) and the deepening functional integration between intermediary organisations and clients – which allow the intermediary principal control over recruitment functions and/or an on-site presence at the client company (Forde 2001; Ward 2003, 2004) – this can blur the boundaries of the firm and distinctions between internal and external labour markets (Peck & Theodore 1998).

Different temporary workers are serviced by different types of intermediary (Purcell et al. 2004). Many have argued that the temporary market is polarised between TSAs which supply low-skilled 'temps' and contract brokers that supply specialist contact workers (Peck & Theodore 1998, 2001; McDowell et al. 2008). In most cases specialist agencies emphasise a value added approach, quality of service and customised supply in the interests of the client company *and* employees (Purcell et al. 2004). Benner (2002) notes that contract brokerage

firms allow specialised consultants to market themselves (through the intermediary) to a higher number of clients and provide an important service in the knowledge economy. Moreover, skilled technicians and IT professionals placed by contract brokers often act as *self-employed* or *independent* contractors affording them greater autonomy than lower-skilled 'temps' (Benner 2002; Purcell et al. 2004). Consequently, highly skilled workers, working on a temporary basis, often benefit from using contract brokers and may prefer this to permanent work (Benner 2002).

On the other hand, TSAs pursue a low-margin high-volume business strategy targeting clients with large pools of contingent labour, emphasis is placed on cost, speed and "hassle reduction" (Peck & Theodore 1998, 665; Peck et al. 2005). The characteristically thin margins of the temporary staffing industry (TSI) have led to aggressive strategies of diversification (upwards) and internationalisation (outwards) (Ward 2004; Peck et al. 2005; Coe et al. 2007). McDowell et al. (2009) argue that low-skilled workers employed via TSAs are some of the most vulnerable with many of the risks offset by firms passed onto workers (Allen & Henry 1997; Peck & Theodore 1998). Furthermore, the emphasis on price and the inherent threat of competition within the TSI forces agencies to priorities client relationships, leaving them little room to refute discriminatory hiring practices and other unscrupulous client demands at the risk of clients changing suppliers (Peck & Theodore 1998). The costs of this instability are borne by the lower end of the workforce where TSAs can institutionalise inequality and reify tendencies of segmentation creating hierarchies of inequality and new types of workforce stratification amongst the most vulnerable workers (Peck & Theodore 1998; McDowell et al. 2009).

The TSI represents itself as a passive market-enhancing service provider representing and reconciling the needs of supply (labours desire for non-standard work scheduling enhancing work/life balance) and demand (employers additional labour requirements) (Peck &

Theodore 2002). However, Peck and Theodore (2002, 147) argue that the TSI is in fact an "*active intermediary* in the job market". They state that TSAs *make* their markets by providing new employment solutions and enhanced flexibility to firms. This has led to a host of insecure and precarious characteristics now associated with many national labour markets, such as; two tier compensation systems in manufacturing, the normalisation of pre-screening in clerical and administration work, deunionisation, the erosion of employer-sponsored benefits, the displacement of risk onto workers, lean workforce systems, the casualisation of public sector jobs and the restructuring of incentive systems (Peck & Theodore 2002). Far from the passive intermediary the industry would have us believe TSAs have had a huge impact on our labour markets.

The continued geographical and sectoral spread of the TSI has led to a rapidly developing body of research in economic geography. In 2010 Coe et al provided an insightful review of the temporary staffing literature in this journal. They identify three approaches to research on temporary staffing; the client firm perspective (why firms use temporary agency workers), the worker perspective (the consequences of working via a TSA) and, the agency perspective in which they place the third actor centre stage and suggest four areas of future research.

First, Coe et al. (2010) assert that future research should consider how TSAs 'make a difference' and actually construct markets by; reshaping employment norms through enhanced flexibility; the expansion into new sectors and countries and; by engaging in the political sphere as independent labour market commentators. Second, they urge future researchers to consider the fine grained ways in which wider labour market regimes including regulation, corporate organisations and welfare provisions (amongst others) shape nationally distinctive temporary staffing markets. Indeed some have argued that a city-by-city analysis of regionally distinctive temporary staffing markets is also important (Peck & Theodore 2002; Ward 2005). Third, as the market for temporary staffing expands geographically Coe et

al. (2010) call for research which explores why, how, where and with what effects the temporary staffing industry is globalising. Finally, they argue that although current research has addressed the role of TSAs in facilitating migrant employment once people have arrived in the country future research needs to consider the role played by TSAs in the mediation of migration.

Executive search firms and headhunters

Outside of temporary work, executive search agencies and headhunters play a pivotal role in the supply of specialised highly-skilled workers for permanent positions. Although the function of TSAs within low-end labour markets has encouraged critical debate, "at the opposite end of the labour market, there remains an absence of scholarship" (Faulconbridge et al. 2008, 211). However, within economic geography Beaverstock, Faulconbridge and Hall have begun to address this "troubling void" and examine the strategies and influence of executive search agencies in elite labour markets (ibid). In contrast to TSAs and contract brokers these LMIs are used to find highly-skilled permanent workers for the *core* workforce or those at the pinnacle of organisational hierarchies (Faulconbridge et al. 2009). In the highest echelons of these secretive intermediaries executive search firms charge a fee in advance of any placement and many refuse jobs with a starting salary below £100,000 (Jenn 2005).

These intermediaries have been particularly important in the "war for talent" (see Michaels et al. cited in Faulconbridge et al. 2009, 800) as emphasis is placed on the need to recruit talented executives that can drive innovation and increase profitability in the knowledge economy. This process is intensified by the growth of "mobile talent" as experts are "poached" from rival firms in order to avoid missing-out on new ideas and star candidates from outside the internal labour market (Faulconbridge et al. 2008, 214-217). As such,

headhunters and executive search firms provide highly specialised, value added networks which tap into geographically dispersed elite labour markets and find talented candidates. Vinodrai (2006) argues that in niche industries these intermediaries may be less effective. For example, in Toronto's design industry the fuzzy boundaries of the occupation cause confusion among some larger headhunting firms that do not understand the industry, rendering them of little use to designers. Yet, headhunters and executive search firms are now present in many professional industries with specialist boutique consultancies in niche sectors or large agencies with specialist divisions (Jenn 2005).

As is the case with TSAs, Headhunters and executive search firms play an active role in shaping employment relations, changing recruitment practices and *creating* markets. Faulconbridge et al. (2008) argue that headhunters reproduce demand for their services through internationalisation of the industry which allows them to promote market-making rhetoric, navigate best practice guideline restrictions and promulgate the legitimacy of headhunting above direct recruitment. The tactics used in the geographical spread of the elite search industry depend on and reproduce rhetoric associated with the knowledge economy. Headhunters ensure that corporations entrust the search for their highest executives to elite search agencies in the belief that there is little alternative and without these intermediaries they risk inefficient recruitment, losing out on the best candidates and ultimately compromise their competitiveness. As such, Faulconbridge et al. (2008) argue that headhunters have cultivated the awareness of and desire for headhunting across different geographical markets.

Further to this, Faulconbridge et al. (2009, 801) argue that executive search firms play a significant role in defining the nature of 'talent' thus "determining who does and does not classify as a talented individual". They refer to this at a "new boys network" in which skilled workers are required to meet key markers of cultural capital and 'talent' determined by headhunters. This creates a "geographically inscribed hierarchy and exclusiveness" and

means that certain candidates dominate at the expense of those that do not fit the markers set by headhunters (Faulconbridge et al. 2009, 807). As such, the proliferation of executive search firms within elite labour markets means certain skilled workers may be marginalised and disadvantaged along lines determined by LMIs.

Beaverstock et al. (2010) and Hall et al. (2009) also examine the ways in which elite search agencies embed themselves in labour markets. They analyse the expansion and internationalisation strategies of executive search firms and consider the 'softer' processes of 'professionalization' and 'legitimization'. They argue that these softer processes such as reputation building and creating a culture of acceptance require greater attention when considering the strategies of unbounded professions. Earlier work by Clark (1993) suggests that minimal barriers to entry create distinctive characteristics within the executive recruitment industry and as a result there is a mix of high and low quality consultants in the UK. Therefore, trust producing mechanisms such as contingent fees, reputation (corporate and individual) and regulation (contractual agreements) of the executive recruitment industry are important in mitigating decline in service quality and possible market collapse.

There are similarities between intermediaries that specialise in permanent and temporary recruitment not least the focus on profit-driven employer centric services, minimal barriers to entry and the off-setting of risk onto workers. Furthermore, their growing diversification and internationalisation into numerous countries and sectors of the labour market leave most with little choice but to utilise their services in some form. However, intermediary organisations and their actions do not always exist within formal or regulated spheres. The following section provides an overview of the approaches and emerging research amongst informal intermediaries, specifically the practices of gangmasters in the UK.

Informal intermediaries

Perhaps the most well-known account of informal for-profit LMIs in the UK is associated with the drowning of 23 cockle pickers in Morecombe Bay in 2004 that were recruited and organised via a gangmaster. The gangmaster was convicted for their manslaughter while the owners of the company that traded the cockles faced no charges as the 'indirect' employers of the cocklers – a bleak yet lucid illustration of the offset risks afforded to employers by some LMIs. A recent report by Oxfam states that "workers employed through gangmasters are some of the most vulnerable and exploited in the UK" (Oxfam 2009, 1). Yet, this group of workers and the associated gangmasters have received little attention in labour geography and could be considered as one of the "often-neglected groups" within the discipline (Lier 2007, 829). This is surprising considering the UK's resurgent use of gangmasters since 1980s - far from a historic relic of the feudal system nor confined to the gruelling work regimes of less developed countries – gangmasters are a fundamental feature of capitalist agriculture and have become a common and necessary intermediary for many unskilled workers and employers within agribusiness enterprises (Brass 2004). The work by Strauss (2012b, 2) has begun to address this as she considers the resurgence and social reproduction of gang labour in the UK in relation to "neoliberal imperatives to create flexible labour markets".

The Gangmasters Licensing Authority (GLA) was established in 2004 to officially license labour providers in agriculture, horticulture, food processing, shellfish gathering and forestry sections thus protecting workers and employers by ensuring that gangmasters operated within the law. However, its success in reducing the exploitative nature of gang labour especially within supermarket supply-chain agriculture is questionable (see Strauss 2009, 2012b). Moreover, Oxfam reports that abuses by unlicensed, informal gangmasters still exist in sectors beyond its remit (for example in construction, hospitality and care) and against workers fearful of whistle blowing. Indeed, the fuzzy boundaries and limited regulation concerning the activities of informal gangmasters requires greater theoretical and empirical

exploration. Furthermore, Strauss (2012b) promotes further research on the scalar complexities of gang labour which take into account the regional and national institutions and regulation that mediate the processes of work.

There are strong ties between gangmasters and the use of migrant workers (see Kuptsch 2006). Evidence presented by Oxfam suggests that individual and organised networks of gangmasters encourage workers to move to the UK by facilitating travel, accommodation and employment. These practices are often associated with illegal and exploitative practices such as forced or coerced labour, smuggling and trafficking (Schmidt 2006; Oxfam 2009). This has been compounded by EU accession and the influx of Eastern European workers, both independently and via gangmasters. During this time in 2004 reports of abuse by intermediary organisations increased markedly (Oxfam 2009). Indeed, McDowell et al. (2009) argue that economic migrants are often forced to accept the most precarious jobs while limited regulation in the UK labour market (compared with the rest of Europe) has led to competition among the migrant workforce for casual positions at the 'bottom-end' of the labour market. Moreover, Andrees (2006) reports that the vast majority of migrant workers that use intermediaries are using informal employment agencies and gangmasters[1] and are more likely to experience coercion and forced labour as a result.

The practices of gangmasters and their role in the exploitation of migrant workers have been portrayed in films such as *It's a Free World* (2007) by Ken Loach and *Ghosts* (2006) by Nick Broomfield. However, the practices of these agents and their role in the movement of workers over national borders is one of the most under researched topics in migration research (Kuptsch 2006). Further research within economic geography on the role of gangmasters in the UK might also draw on discussions and evidence from the temporary staffing literature as well as the inevitable links with existing work on coerced and forced labour (see Strauss 2012a).

Conclusion: LMIs and labour geography

This paper has critically reviewed the literature on three broad types of LMI and provides one of the few attempts to discuss the impacts of multiple LMIs in one place. As a means of drawing these approaches together, here I suggest directions for future with labour geography.

The sub-discipline of labour geography is dedicated to understanding labour as an *active maker of social space* and has developed a diverse body of research with "an explicit focus on the spatiality of particular worker struggles" (Lier 2007, 821 see also Castree et al. 2004; Castree 2007; Rogaly 2009). As labour geography continues to develop and extend its areas of analysis, the *agency* of labour has come under increasing scrutiny. In an attempt to move beyond the rather abstract discussions of labour agency Coe and Jordhus-Lier (2010) encourage a re-embedded understanding of labour agency through further study of four social arenas that are fundamental to labour and its political organisation, these are: capital, the state, the community and *labour market intermediaries*. They offer an analytical path for labour geography which requires future research to reconnect the agency of labour with the economic and societal systems that surround workers. Hence, taking account of the existing research as well as Coe and Jordhus-Lier's proposition I suggest the following research agenda to help understand what role geography may play in the relationship between LMIs and the agency of labour.

First, future research on LMIs should consider how these organisations are changing the *spatial* dynamics of labour agency. LMIs have created a distance between the employee and the employer both spatially – as workers move between multiple workplaces – and emotionally – as workers have little industrial relations contact with their "real employer" (Wills 2009, 444). This creates structural disempowerment for workers because the mutual

dependency between worker and employer is severed by the intermediary thus making collective bargaining impractical (Wills 2009). Wills argues that workers need to navigate the intermediary and find new ways of bargaining with their real employer. She presents examples of alliance-building between workers and groups at different geographical scales which have allowed workers to target their real employers and improve working conditions and wages. Future research should therefore give greater consideration to how LMIs disrupt conventional employment relationships and in turn affect the spatiality of labour agency i.e. where and towards which actors agency is directed.

Furthermore, Lier (2007, 826) notes the tendency for research in labour geography to "overlook worker agency that is not articulated as collectively organised". However, LMIs provide workers greater opportunity to express individual agency and improve their experience of work. For example, the use of contract brokers by skilled workers improves their ability to approach multiple employers thus increasing employment choice and allowing for greater individual worker agency. While, limited contractual restrictions on temporary contracts allow temps to move between different TSAs in order to gain better hourly rates – although still disadvantaged by the precarious nature of agency work – this demonstrates how LMIs allow workers to move quickly to 'better' jobs thus demonstrating individual worker agency. Moreover, James and Vira (2012) document the strategic use of a diverse range of LMIs by call centre workers in India used to circumvent limited internal job ladders and move to better paid more favourable jobs in other companies, another example of individual worker agency facilitated by LMIs.

Hence, future research on LMIs should consider their influence on worker *mobility* and the effect this has on worker agency. Coe and Jordhus-Lier (2010, 218) identify that "strategies for matching capital's (potential) mobility" are an essential aspect of the agency of labour. This paper has shown that informal LMIs present a particularly important group in this

respect, as such, it is therefore important that future research also accounts for the role of formal *and* informal LMIs in mediating the movement of workers and reshaping worker agency amongst migrant and other mobile workers. In the facilitation of migration LMIs are actively reshaping the spatialities of worker mobility thus having a dramatic effect both in constraining and enhancing worker agency.

Finally, there has been a tendency for research on LMIs to focus on North America and Western Europe. Research on TSAs has made the biggest contribution in moving beyond these industry heartlands to consider 'temping' in Eastern Europe (Coe et al. 2008), Australia (Coe et al. 2009a), Sweden (Coe et al. 2009b) and Canada (Vosko 2000). Yet, there has been little work which considers the role of TSAs within the global South. James and Vira (2012) and Endresen (2010) provide noteworthy exceptions to this regarding the role of LMIs in the career progression of call centre workers in India and labour hire agencies in Namibia, respectively. Nonetheless, the study of other LMIs would benefit from further work on their impact beyond the US and Western Europe. Furthermore, future research may benefit for studies which consider the links between a broader range of LMIs. For example, the use of interned-base job-boards which have become a "standard component in many job search strategies" (Benner 2002, 117) yet, have received little attention for their impact on workers experiences and labour market functioning.

[1] The ILO Special Action Programme to Combat Forced Labour was carried out in 2003. It surveyed 644 return migrant workers from Albania, Moldova, Romania and Ukraine.

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APPENDIX TWO

Interviewee details

Pilot study: participant details

Participant job title	Size of TSA	Type of interview	Date of interview
Branch Manager	Multinational	Telephone	28.7.11
Owner	Single-site	Telephone	29.7.11
Branch Manager	Single-site	Telephone	27.7.11
Regional Manager	National	Telephone	28.7.11
Owner	Single-site	Telephone	3.8.11
Owner	Single-site	Telephone	27.7.11
Senior Consultant	Regional	Telephone	27.7.11
Owner	Single-site	Telephone	2.8.11
Owner	Single-site	Face-to-face	9.8.11
Area Manager	Multinational	Face-to-face	10.8.11

Source: Author

Main study: participant details for TSAs

Interview number	Participant job title	Size of TSA	Type of Interview	Date of interview
1	Owner	Single-site	Telephone	24.11.11
2	Senior Consultant	Single-site	Face-to-face	5.12.11
3	Owner	Single-site	Face-to-face	1.9.11
4	Owner	Small regional	Face-to-face	1.9.11
5	Owner	Single-site	Telephone	7.9.11
6	Senior Consultant	Single-site	Telephone	25.8.11
7	Branch Manager	Large national	Face-to-face	27.9.11
8	Owner	Single-site	Face-to-face	10.10.11
9	Owner	Single-site	Face-to-face	13.10.11
10	Owner	Single-site	Telephone	18.10.11
11	Branch manager	Small Regional	Face-to-face	19.10.11
12	Owner	Single-site	Face-to-face	20.10.11
13	Regional Manager	Small regional	Face-to-face	28.10.11
14	Branch Manager	Small regional	Face-to-face	28.10.11
15	Operations Director	Large regional	Face-to-face	2.11.11
16	CEO	Large national	Telephone	3.11.11
17	Owner	Single-site	Face-to-face	4.11.11
18	Regional Director	National	Face-to-face	10.11.11
19	Branch Manager	Large national	Face-to-face	10.11.11
20	Regional Director	Large Regional	Face-to-face	11.11.11
21	Senior Consultant	Large national	Face-to-face	12.11.11

22	Owner	Single-site	Face-to-face	24.11.11
23	Owner	Single-site	Face-to-face	28.11.11
24	Owner	Large Regional	Face-to-face	2.12.11
25	Managing Director (MD)	Mid-sized regional	Face-to-face	1.12.11
26	CEO	Large national	Face-to-face	5.12.11
27	Managing Director (MD)	Single-site	Face-to-face	16.12.11
28	Divisional Manager	Multinational	Face-to-face	21.12.11
29	Owner / TEAM Regional Director (for West Midlands)	Single-site	Face-to-face	4.1.12
30	Owner	Single-site	Telephone	5.1.12
31	Owner	Large regional	Face-to-face	10.1.12
32	Marketing Director	Small national	Telephone	18.1.12
33	Regional manager	Small national	Face-to-face	23.1.12
34	Owner	Small regional	Face-to-face	24.1.12
35	Area Manager	Multinational	Face-to-face	10.2.12
36	Managing Director	Large national	Face-to-face	13.2.12
37	Owner	Single-site	Face-to-face	8.9.11
38	Senior Consultant	Single-site	Telephone	30.8.11
39	HR Director	Large Regional	Face-to-face	11.11.11
40	Director	National	Face-to-face	26.11.11

Main study: participant details for <u>client firms</u>

Interview number	Participant job title	Type of Company	Type of interview	Date
41	Works Manager	Birmingham based metal pressing company	Face-to-face	26.9.11
42	Line Manager	Birmingham based metal pressing company	Face-to-face	29.9.11
43	HR manager	International vehicle components manufacturer	Face-to-face	15.10.11
44	HR Manager	International Hydraulics manufacturer	Face-to-face	15.10.11
45	Warehouse Manager	National haulier	Face-to-face	8.12.11
46	Regional HR Manager	National haulier	Face-to-face	3.12.11
47	Procurement Manager	Local Authority	Face-to-face	8.12.11
48	HR Manager	Local Authority	Face-to-face	19.1.12
49	HR Manager	Birmingham based food processing	Telephone	12.1.12
50	Depot Manager	National transport and logistics	Telephone	20.1.12
51	HR Manager	National transport and logistics	Telephone	20.1.12
52	Warehouse Manager	National haulier	Telephone	1.2.12
53	Warehouse Manager	National haulier	Telephone	2.2.12

Source: Author

Main study: participant details for <u>industry experts</u>

Interview number	Company	Nature of business	Position	Type of interview	Date
54	REC	Representative body of the recruitment industry	Policy & PR advisor	Telephone	7.9.11
55	Zero Entropy Networks	Recruitment training company	Independent advisor & trainer of recruitment consultants	Telephone	7.9.11
56	TUC	Representing organised workers across multiple industries	Policy & campaigns officer	Face-to-face	30.9.11
57	REC	Representative body of the recruitment industry	Director of research	Face-to-face	29.11.11
58	IRP (Institute of recruitment professionals)	Voluntary regulators of the recruitment industry	Regional Director	Face-to-face	30.11.11
59	Independent TSA	26 years experience working in recruitment in Birmingham. Ex-senior manager at multinational agency	Local TSA representative for Birmingham Chamber of Commerce	Face-to-face	1.12.11
60	TEAM	An international network of independent recruitment agencies	UK Director	Face-to-face	20.12.11
61	de Poel	The UKs number one procurer of agency labour	CEO	Face-to-face	9.1.12
62	ALP	A trade association for organisations that provide labour in food, agriculture and other	Director	Telephone	10.1.12
63	BCC – BRIDGE Project	The local authority are working with local TSAs to support their former workforce in moving from the public to the private sector.	Project Manager	Face-to-face	19.1.12
64	Multinational Agency	Non-executive Director for national agency	Ex-COE of national and Multinational agencies. 24 years experience with multinational agency	Telephone	8.2.12
65	N/A	N/A	31 years experience recruitment, Ex-CEO of large national agency	Face-to-face	9.2.12

Source: Author

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