

Centre for Employment Relations Innovation & Change

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Agency working in the UK: what do we know?

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CERIC

Policy Report no.2

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Innovation & Change

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Agency working in the UK: what do we know?

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Contents

Executive summary	4
1. Introduction.....	6
2. Getting the measure of agency work	8
2.1 Trends in agency work	9
3. Who are the agency workers?	11
3.1 Descriptive characteristics.....	11
3.2 Occupational patterns	13
3.3 Location and origins	14
3.4 How long do agency jobs last?.....	14
3.5 Factors affecting the likelihood of holding an agency job	15
4. Agency workers and pay.....	18
4.1 What are agency jobs worth?.....	18
4.2 Wage gaps for high and low earners.....	20
5. Holidays, work quality, skills and vulnerability.....	22
5.1 Holiday entitlement.....	22
5.2 Work quality	23
5.3 Training and the learning environment.....	25
5.4 The perceived vulnerability of agency work.....	27
Appendix	30

List of tables

Table 1: Temporary and permanent employment in the UK.....	9
Table 2: Characteristics of agency, other temporary and permanent employees.	12
Table 3: Agency workers and job tenure	15
Table 4: Factors impacting on the likelihood of agency working	17
Table 5: Hourly wages by contract type and gender	19
Table 6: Annual paid holiday entitlement, full-time workers	23
Table 7: Repetitive work and task discretion	24
Table 8: Dissatisfaction with the quality of work	24
Table 9: Incidence of training by job type	26
Table 10: Skill use and learning environment.....	26
Table 11: Anxiety about vulnerability in job	28

List of figures

Figure 1: Agency working in the UK 1992-2007	10
Figure 2: Wage differentials – agency vs. permanent workers, 2007	21

Executive summary

1. This report examines the nature and experience of agency working in the UK, drawing on up-to-date nationally representative data from 2 large-scale surveys, the 2007 Labour Force Survey and the 2006 Skills Survey.
2. The report comes against the backdrop of proposed regulation of the agency sector, via a Private Members' Bill to ensure that agency workers receive equal treatment with respect to comparable directly employed workers in client firms.

Numbers in agency work

3. It is commonly asserted that there are 1.4 million agency workers in the UK. The report finds that this is unlikely to be an accurate measure of the number of agency workers in the UK. The figure is based on an annual survey by the Recruitment and Employment Confederation, but methodological weaknesses – e.g. low response, seasonality, and double-counting workers – call its reliability into question.
4. The Labour Force Survey (LFS), conducted by the Office for National Statistics, presents the most reliable source of information on agency workers. It is used as the primary source in this report. Analysis of the LFS indicates an average of 250,000 agency workers – 1 per cent of the employed UK workforce – in 2007.
5. Most of the growth in the number of agency workers occurred during recovery from the 1990s recession, however there are some signs that the sector has begun to grow again since 2006.

Characteristics of agency workers

6. In terms of the characteristics of the agency workforce, it is not the case that agency working is dominated by returners to the labour market, women, or full-time students, in contrast to the claims of the agency industry. Black and minority ethnic workers and new arrivals in the UK are over-represented in agency work compared to permanent jobs. 5 per cent of the agency workforce has arrived in the UK since 2004, and 80 per cent of these agency workers are from the EU accession states.
7. Agency work remains concentrated in particular occupations: two thirds of agency workers are found in clerical, semi-skilled and unskilled occupations, whilst only 1 in 5 work in managerial and professional occupations.
8. Tenure levels for agency workers are short. Current median tenure is 4.5 months, and 73 per cent of agency workers have tenure levels of less than a year. The Confederation of British Industry (CBI) has argued that equal treatment for agency workers should be limited to workers with tenure of more than one year. The LFS data shows that *three-quarters of agency workers* would be excluded from coverage were such a restriction to be included in the regulations. Even a restriction of 6 weeks for entitlement to equal treatment, as proposed by the

European Commission in a draft directive on agency work, would exclude more than 1 in 5 workers from protection.

Agency work and pay

9. The pay received by agency workers is a key area of controversy in debate. Analysis reveals that agency workers earned £7.80 per hour on average in 2007 compared with £11.47 for permanent workers – a ‘wage penalty’ of 32 per cent. The wage penalty is larger for men (41 per cent) than for women (19 per cent).
10. Taking account of variations in characteristics between agency and permanent workers, an hourly wage gap of 10 per cent still remains.
11. The wage penalty for agency workers varies across the wage distribution. Those in the weakest labour market position (the bottom 10 per cent of wage earners) suffer the greatest wage penalty – a gap of 17 per cent compared to comparable permanent workers. Conversely, there is no evidence that the highest paid agency workers fare better than comparable permanent workers.

Non-wage conditions, job quality and training

12. Full-time agency workers receive paid holiday entitlement which is comparable to that reported by full-time casual workers but less than all other categories of worker.
13. Some 37 per cent of agency workers, compared with 15 per cent of permanent workers, are always doing short repetitive tasks. Agency workers also experience much less autonomy over the work that they do, compared with all other categories of worker.
14. Agency workers are much more likely than other categories of worker to express dissatisfaction with the intrinsic quality of the work they do. Roughly 1 in 6 agency workers were dissatisfied with the variety in their work and with the work itself, as compared with approximately 1 in 20 permanent workers. Agency workers are very much less likely to report that they are fully utilising their skills (78 per cent compared 33 per cent for permanent workers), and are much more likely to be dissatisfied with the opportunities to use their abilities.
15. The proportion of agency workers who received training in the last four weeks is only 9 per cent – two-thirds the incidence for permanent workers, and less than half the incidence of other temporary workers, including casual and seasonal staff. Moreover, only 21 per cent of agency workers are in environments that require them to keep learning new things, compared with 34 per cent of permanent workers. These findings imply that agency work poses a trade-off between the needs for short-term flexibility of employment demand and long-term productive flexibility.

1. Introduction

Temporary agency working is currently under scrutiny. Against the backdrop of prospective European regulation, moves have been made in the UK Parliament, via a Private Members' Bill, to ensure that agency workers receive equal treatment with respect to comparable directly employed workers in client firms. These developments reflect the concern that the nature of agency working creates opportunities for discrimination and that under current legislation agency workers experience inferior employment conditions to other workers.

Indeed, much discussion in the media, and many of the recent moves by the Government, have focused on the very worst employment conditions in the agency sector. The clearest example of this is the establishment of the Gangmasters Licensing Agency in 2004 following an outcry over the deaths of twenty three Chinese cockle pickers in Morecambe Bay. This agency regulates the operation of labour intermediaries in agriculture, horticulture and shellfish gathering, processing and packaging industries.¹ The Government has also focused on what it has termed 'vulnerable' agency workers more generally, announcing in December 2007 a tightening of the regulations governing the conduct of employment agencies. A key element of these revised regulations is to give workers a right to withdraw without detriment from services charged for and provided by an agency, such as accommodation and transport.² This follows from a concern that some agency workers, especially migrant workers from the newest member states of the EU, were being obliged to accept high fees for these services, effectively reducing their already low pay.

The TUC has also examined the situation and experience of workers at greatest risk in the labour market through its Commission on Vulnerable Workers.³ Here the focus has been on those poorly protected or outside of the coverage of employment rights altogether. Given the peculiar nature of the triangular employment relationship of agency workers – caught between the hiring agency and the user client firm – agency workers fit clearly into the TUC's definition of 'vulnerable workers'.

Much of this discussion is supported by stark case study evidence of exploitation of agency workers.⁴ Whilst not detracting from the seriousness of these cases, the tendency can be to portray the problems of agency working as restricted to a minority of badly treated, often migrant workers at the very bottom of the labour market. Against this, the Recruitment and Employment Confederation (REC) and the Confederation of British Industry (CBI), whilst condemning 'rogue' employment agencies, have argued that most agency workers have a positive experience and

¹ 1,188 gangmasters are currently licensed to provide labour in the agriculture, horticulture, shellfish gathering and associated processing and packaging industries. Since its inception the GLA has revoked 53 licenses for illegal activity and worker exploitation. GLA (2008) *Time up for Suffolk Gangmaster – GLA revokes licence*, Press Release, Gangmasters Licensing Authority, 14th April.

² The Conduct of Employment Agencies and Employment Businesses (Amendment) Regulations 2007 (SI 2007/3575), which came into force on 6th April 2008.

³ See www.vulnerableworkers.org.uk for further information.

⁴ See for example 'Working lives "intolerable" for millions in UK', *The Observer*, 4th May 2008

that many are well paid. In addition, it is suggested that existing regulation is sufficient, albeit with a need for greater enforcement.⁵

Given these opposing positions, the question remains, what is the general experience of agency workers in the UK? Remarkably, there is very little systematic, quantitative evidence on the nature of agency working and the experience of agency workers.⁶ The debate about regulation has occurred against the backdrop of particular cases of advantage or incidences of exploitation, but how much do we really know about agency working in the UK?

The aim of this report is to provide a statistical portrait of agency work in the UK. Focusing on two of the most up-to-date, large-scale, nationally representative datasets the report seeks to contribute to the ongoing debate over regulation of the agency sector by establishing a range of core facts. The report begins by providing nationally representative data on the number of agency workers. It then examines the characteristics of the agency workforce and compares these to other forms of temporary work and permanent employment. Next, the outcomes from agency work are documented. First, pay outcomes for agency workers are examined both in comparison with other comparable workers and across the wage distribution. Second, non-pay conditions are analysed, including holiday entitlement, the quality of agency jobs, perceived vulnerability and training. The latter is a particularly important area to examine since there may be a trade-off between the short-term flexibility afforded by agency workers and longer-term problems of skill acquisition and productive flexibility for the economy. Finally, the report concludes by considering the implications of the findings.

⁵ REC (2008) 'REC calls for the temp debate to be based on facts', News Release, 21st February 2008: London: Recruitment and Employment Confederation; CBI (2008) 'Agency workers bill would bypass vulnerable staff and risk jobs instead', *News Release*, 20th February 2008, London: CBI

⁶ However, see Forde, C. and G. Slater (2005) 'Agency working in Britain: character, consequences and regulation', *British Journal of Industrial Relations*, 43(2), pp.249-271

2. Getting the measure of agency work

It is commonly asserted that there are currently 1.4 million agency workers in the UK.⁷ This figure is based on an annual survey of agencies conducted by the Recruitment and Employment Confederation (REC), the agency industry's employers' association. Although the figure has been widely cited in debate at the UK and European level it is unlikely to provide an accurate picture of the numbers of agency workers. There are a number of reasons for this.

- First, the REC's reported findings are based on very low response rates. In the 2006/7 survey of over 13,000 agencies, the response rate achieved was less than 4.5 per cent (580).
- Secondly, the figure of 1.4 million is based on agency responses to a question about the number of workers on their *payroll* in a given week (for the most recent survey, this was the week beginning the 21st November, 2006). This does not necessarily mean that the person has actually performed any work in that particular week. Further, the REC itself acknowledges some key weaknesses in the methodology underlying the 1.4 million claim, with a caveat evident in the report, but not in debate: "This figure is likely to include some double-counting caused by workers using multiple firms to gain work and is also likely to reflect seasonal factors".⁸ The double counting issue would appear to be particularly important, since many workers do register with multiple agencies to find work⁹
- Fourth, according to Office for National Statistics (ONS) analysis, there were only 1.4 million temporary employees of *any* type (agency, fixed-term, seasonal, casual or other) *in total* in 2006, of which agency workers comprised only a small segment.¹⁰

The most reliable measure of agency working over time comes from the ONS Labour Force Survey (LFS). The LFS is a household survey which provides detailed information on the work patterns of individuals. It is a large-scale survey which achieves a high response rate (over 60 per cent) and from which it is possible to weight sample responses in order to make reliable estimates of the population. Since 1992 the survey has provided a consistent measure of temporary workers, including those holding a temporary agency job.

⁷ See for example 'CBI says new agency staff rights to cost jobs', *Financial Times*, February 20th 2008; 'Labour MPs vote for agency rights' BBC News online, February 22nd 2008 (http://news.bbc.co.uk/1/hi/uk_politics/7258109.stm); T&G (2007) 'T&G on agency workers consultation', News Release, Transport and General Workers' Union, 20th February 2007 (www.tgwu.org.uk/Templates/News.asp?NodeID=42438).

⁸ REC (2007) *Annual Industry Turnover and Key Volumes Survey, 2006-7*, London: Recruitment and Employment Confederation, p.9

⁹ See for example, Forde, C. (2001) 'Temporary arrangements: the activities of employment agencies in the UK', *Work, Employment and Society*, 15(3), pp.644-659.

¹⁰ *Economic and Labour Market Review*, April 2008, Office for National Statistics, (www.statistics.gov.uk/elmr/04_08/downloads/Table2_03.xls)

2.1 Trends in agency work

Prior to 1992, the structure of the LFS prevented straightforward identification of agency workers. However, it has been suggested that in the mid-1980s, there were approximately 50,000 agency workers in Britain.¹¹

We use pooled data from all four quarterly Labour Force Survey datasets from 2007 to estimate the average numbers in agency work (and so avoid seasonal variations). According to this analysis, 250,000 people held a temporary agency job as their main form of employment in 2007 (see table 1). This accounts for almost 1 in 5 temporary workers and just over 1 per cent of all employees. The most common form of temporary working remains fixed-term contract work.

Table 1: Temporary and permanent employment in the UK, 2007			
	Employment in reference week*	Proportion of temporary employment (%)	Proportion of total employee employment (%)
Temporary agency employees	250,300	18.6	1.1
Fixed-term contract employees	577,300	43.0	2.5
Seasonal/casual employees	360,700	26.8	1.5
Other temporary employees	155,500	11.6	0.7
All temporary employees	1,343,800	100	5.7
Permanent employees	22,217,500	-	94.3

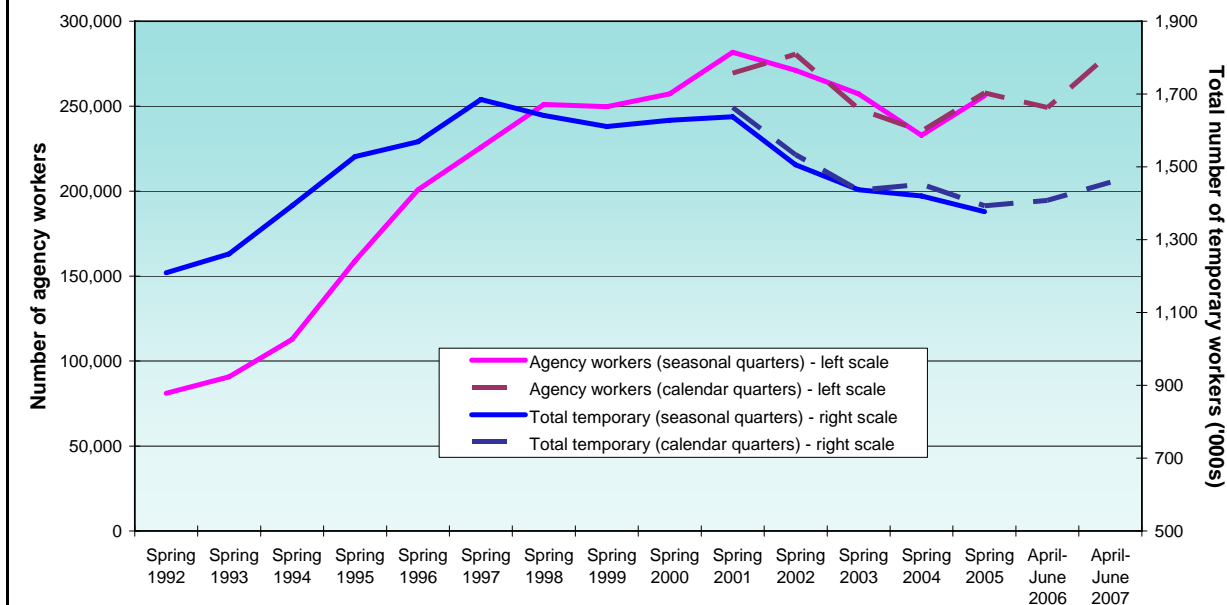
*Average over 4 quarters

Source: Weighted data, from 4 consecutive pooled quarters of the Labour Force Survey, January/March 2007 – October/December 2007. Contract type relates to main job.

This is clearly a large rise in comparison with the 1980s. Indeed, as figure 1 indicates, much of the rise in agency work followed the early 1990s recession.

¹¹ Casey, B. (1988) 'The extent and nature of temporary employment in Britain', *Cambridge Journal of Economics*, 12, pp.487-509.

Figure 1: Agency working in the UK 1992-2007



Note: The reporting of data changed in 2005 from seasonal quarters (e.g. Spring defined as March to May) to calendar quarters (e.g. January-March, April-June etc.). Both series are shown here, including overlapping years.

Source: Office for National Statistics, Quarterly Labour Force Survey

Agency working grew particularly strongly in the labour market recovery of the 1990s. Numbers continued to rise until 2001, later than the peak in temporary work in total, leading to a rising share of agency jobs within temporary jobs. Interestingly, declines in the number of agency workers from the peak in 2001 have recently been reversed and agency work is growing strongly once more.¹²

¹² The agency work totals in table 1 and figure 1 are not directly comparable. The former presents the average annual figure; the latter compares specific quarters within each year, which are subject to seasonal variation.

3. Who are the agency workers?

It is often claimed that agency work is concentrated amongst particular groups in the labour market, such as the young, full-time students, women, those with children and the unemployed.¹³ Such assertions have been used to support the argument that agency temping meets the needs of those groups engaged in this form of work. These workers are said to be actively choosing agency work over permanent employment because of the flexible work schedules and opportunities for re-entering the labour market that agency work provides. It is also widely assumed that significant numbers of agency workers are to be found in high-skilled managerial and professional jobs, where pay levels, are, on average, the same or greater than those enjoyed by permanent employees in comparable jobs.¹⁴ In recent years, a number of studies have also pointed to the concentration of migrant workers in agency jobs, particularly from the new EU accession countries.¹⁵

Using the most recent full year of data from the Labour Force Survey, from 2007, it is possible to bring nationally representative data to bear on these issues and to compile a picture of the current characteristics of the agency workforce.

3.1 Descriptive characteristics

Table 2 looks at a wide range of personal and employment characteristics of the agency workforce. The goal of the Temporary and Agency Workers Bill is to ensure equal treatment with directly employed workers. An investigation of the composition of agency work indicates on which groups any regulation would have the greatest impact.

To explore the current situation, the characteristics of agency workers are compared to those of the permanently employed workforce. A comparison is also made between agency and other temporary workers, namely fixed-term contract employees, seasonal and casual staff and those in temporary jobs for other reasons.

¹³ See for example REC (2008), *REC Briefing: The Value of Temping*, London: Recruitment and Employment Confederation; CBI (2007) 'Government must resist EU law on agency placements or jeopardise up to 250,000 UK temp work placements', *News Release*, 10th September 2007, London: CBI

¹⁴ See for example, House of Commons Library (2008) *Temporary and Agency Workers (Equal Treatment) Bill 2007-08*, Research Paper 08/17, House of Commons; REC (2008) *The Value of Temping*.

¹⁵ MacKenzie, R. and C. Forde (2007) *The Social and Economic Experiences of New Arrivals in the UK*, Centre for Employment Relations Innovation and Change, Policy Report No 1, University of Leeds; House of Commons Library (2008) op.cit.; Fitzgerald, I. (2006) *Organising Migrant Workers in Construction: Experience from the North East of England*, London: TUC.

Table 2: Characteristics of agency, other temporary and permanent employees, 2007

	Agency	Fixed term	Seasonal/ casual	Other temp.	Permanent <i>per cent</i>
Gender					
Female	43	58	55	55	48
Male	57	52	47	45	42
Age					
16-19	10	8	42	16	5
20-24	24	17	24	19	10
25-29	17	14	7	11	11
30-39	17	24	8	16	25
40-49	17	20	7	20	27
50-59	13	15	9	15	20
60-64	2	3	2	4	3
Ethnic origin					
White	83	89	88	88	92
Asian	5	5	5	6	4
Black	7	2	3	3	2
Other ethnic minority	6	4	4	3	2
Married	35	47	21	42	55
Children					
Child under 5 years	9	12	5	10	14
Child 5-18 years	26	32	47	35	34
Highest qualification					
Degree	23	44	14	28	23
Higher qualification below degree	7	10	5	11	10
A-level	20	21	39	22	24
GCSE	19	13	25	22	23
Other qualification	23	10	10	12	12
No qualification	8	2	8	5	8
Currently in full time education	7	9	44	14	4
Made redundant in last 3mths	2	0.6	0.3	0.7	0.2
Part time	25	34	80	52	23
Public sector	41	50	38	48	44
Occupation (SOC2000)					
Management	2	7	2	6	16
Professional	19	31	4	19	13
Associate professional & technical	8	19	6	13	15
Administrative & secretarial	25	12	9	12	13
Skilled trades	4	4	4	6	9
Sales & customer service	5	5	20	11	8
Personal services	7	13	10	13	8
Process, plant & machine operatives	16	3	4	6	7
Elementary occupations	25	7	40	13	12
Key industrial sectors					
Manufacturing	21	9	5	11	14
Transport	11	3	4	4	7
Real estate and business services	20	11	6	9	11
Key regions					
London	14	13	11	15	11
Rest of South East	22	19	19	16	20
Arrived in the UK after 2003	13	5	4	4	2
Country of origin: old EU	1	2	1	1	1
Country of origin: new EU	5	1	1	1	1
New EU and arrived after 2003	4	0.6	0.7	0.9	0.6
N (weighted)*	250,275	577,286	360,738	155,496	22,217,536

* Results are based on weighted data from pooled consecutive quarters of the Labour Force Survey, Jan/March – Oct/Dec 2007. SOC (2000) – Standard Occupational Classification.

Table 2 indicates that in contrast to commonly held views, more than half of the agency workforce (57 per cent) are male. When compared to the permanent workforce, and some groups of temporary workers (fixed-term contract and 'other' temporary workers), agency workers are relatively young. Over 1 in 3 agency workers are aged between 16 and 24, and a third are under the age of 30. Black and minority ethnic groups comprise a higher proportion of the agency workforce (13 per cent) compared to all other forms of temporary work and the permanent workforce. A minority of agency workers are married, a finding that reflects the relatively young age of the agency workforce. Only 35 per cent of agency workers have a dependent child, compared to 48 per cent of the permanent workforce. Whilst this finding may also reflect the relatively young age of agency workers, it runs counter to the widely held view that agency work is dominated by workers with children.

Agency workers have broadly similar qualification levels to the permanently employed workforce. However, it is not the case that agency work is dominated by students, as sometimes suggested. Only 8 per cent of the agency workforce can be found in full-time education. By comparison, a much higher proportion of seasonal/casual workers (44 per cent) are in full-time studies.

Turning to employment characteristics, 2 per cent of agency workers have been made redundant in the last three months. These in turn account for 11 per cent of all those workers made redundant in the last three months, and provides some support for the notion that agency work is an important route back into employment for those who have recently lost their job.

3.2 Occupational patterns

In terms of occupations, agency workers are clearly under-represented in managerial and associate professional jobs, but over-represented in professional jobs, when compared to the permanent workforce. Only 2 per cent of agency temps are to be found in managerial occupations, compared to 16 per cent of the permanently employed workforce. Investigating professional agency workers more closely, although some 19 per cent of agency workers are to be found in this category, 1 in 4 of these – around 12,000 – are teaching professionals (in nursery, primary and secondary schools).

Agency workers are over-represented in secretarial, semi-skilled process jobs and unskilled elementary occupations compared to the permanent workforce. Two thirds (or about 160,000 workers in total) of agency workers are in these three relatively low-skilled occupational groups, compared to only one-third of the permanent workforce. A quarter of agency workers are in administrative and secretarial occupations, and 1 in 4 of these workers – around 22,000 – are unspecialised general office assistants. HGV drivers account for one quarter of the agency workers among semi-skilled process, plant and machinery operative occupations. Within the 25 per cent of agency workers in unskilled elementary occupations, the largest numbers are in 'packing, bottling and filling' (17,000) and goods handling and storage jobs (16,000).

Overall, these figures point to the dominance of low-skilled agency work, and the relatively small proportions of high-skilled, knowledge intensive agency jobs (particularly within the private sector). This concentration of agency work in low-skilled occupations is long-standing and does not appear to have altered dramatically over the last decade.¹⁶

3.3 Location and origins

Historically, agency workers have been concentrated in London and the South East.¹⁷ Analysis of 2007 data, however, reveals little difference between agency, other temporary and permanent workers in this respect: around one-third of all job types are to be found in these regions.

The LFS data does highlight the linkages between recent migration patterns and agency working. New arrivals to the UK since 2004 are over-represented in agency work. Nearly 1 in 7 agency workers have arrived in the UK since 2004, compared to only 2 per cent of permanent workforce. Five per cent of the agency workforce are from the new EU countries that acceded to the Union in 2004. The majority of agency workers from the new EU countries (80 percent) have arrived in the UK since 2004. This provides further evidence that agency work is a key means through which migrant workers are accessing the labour market.

3.4 How long do agency jobs last?

Table 3 considers average tenure levels for agency workers. The average elapsed job tenure of current agency workers is 13 months. This can be compared to an average elapsed tenure for permanent jobs of 7.5 years. However, this average is skewed by a few extremely high values. The majority of agency workers have been in their jobs for much less than 13 months. The median length of current tenure is much shorter, at 4.5 months, whilst the most common response to the question of 'how many months has your job lasted' for agency workers is 1 month.

The lower panel of Table 3 reveals tenure levels for agency jobs in more detail. Twenty two per cent of agency workers have tenure of less than 2 months, half have tenure of less than 6 months, and 73 per cent have current tenure of less than 1 year.

The CBI has argued that equal treatment for agency workers should be limited to workers with tenure of more than one year.¹⁸ The LFS data shows that *three-quarters of agency workers* would be excluded from coverage were such a restriction to be included in any new regulations. Even a restriction of 6 weeks for entitlement to equal treatment, the proposal included in the European Commission's

¹⁶ The occupational distribution of agency work in 2000 can be found in Forde and Slater (2005), op.cit.

¹⁷ See Cmnd. 3828 (1968) *Office Staff Employment Agencies Charges and Salaries*. National Board for Prices and Incomes, Report no. 89. London: HMSO.

¹⁸ CBI (2007) 'Government must resist EU law on agency placements or jeopardize up to 250,000 UK temp work placements', *News Release*, 10th September 2007, London: CBI.

original draft directive on agency working¹⁹, would exclude more than 1 in 5 workers from protection.

Table 3: Agency workers and job tenure	
Average tenure	Months
Mean	13.3
Median	4.5
Mode	1
Proportion of agency workers with tenure of less than....	(cumulative %)
1 month	9
2 months	22
3 months	30
6 months	53
1 year	73
18 months	82
2 years	87
5 years	96

Source: LFS 2007, pooled quarters.

3.5 Factors affecting the likelihood of holding an agency job

These descriptive data are useful for comparing the characteristics of agency workers to other temporary workers and the permanent workforce, but it is likely that many of the key personal and employment characteristics outlined above are closely related. For example, a high proportion of agency workers are young. This in turn may explain the finding that a high proportion of agency workers are unmarried. By controlling for the full range of personal and employment characteristics outlined above, it is possible, using regression techniques, to identify the particular factors that increase the likelihood of agency work relative to other forms of temporary and permanent employment.²⁰

The results in Table 4 show that after controlling for a range of personal and employment characteristics, some factors remain clearly associated with an increased likelihood of being in agency work. All else equal, being a black or other minority ethnic worker, an older worker (aged 50 and above) or a married women increases the likelihood of being in agency work relative to the probability of a permanent job (the 'risk ratio' increases). However, it should be noted that having children reduces the probability of an agency job.

Those with higher level qualifications are also more likely to be found in agency work compared to permanent employment, a feature which is shared with 'other' forms of temporary work. Recent redundancy similarly raises the likelihood of an

¹⁹ EC (2002) *Proposal for a Directive of the European Parliament and the Council on Working Conditions for Temporary Workers*, COM(2002) 149, Brussels: European Commission

²⁰ Multinomial logistic regression is used to identify factors that impact on the probability that an individual holds a particular type of temporary job relative to the probability of having a permanent job. Full results are available from the authors on request.

agency job, but agency working is not unique in this regard; the likelihood of a fixed term or 'other' temporary job is also raised. Even after controlling for a range of factors, working in a low-skilled or semi-skilled occupation raises the likelihood of being in agency work, a finding which casts doubt on the notion that the agency workforce is significantly associated with knowledge intensive, high-skilled jobs. Finally, there is an increased risk of agency work for those that have arrived in the UK after 2003 and those from new EU countries, a finding which underlines further the close linkages between migration patterns and agency work.

In focusing on the factors that exert an independent impact on the likelihood of holding an agency job, not all of the characteristics commonly highlighted by the REC appear to have an influence. Whilst there is some association between agency work and older or recently redundant workers, there is no link with family responsibilities and it remains the case that there is a clear association between agency working and lower-skilled occupations.

Table 4: Factors impacting on likelihood of agency and other temporary employment states relative to permanent employment, LFS 2007

	Agency	Fixed term	Seasonal/casual	Other temp.
Female	-		-	-
Age				
16-19 (reference category)				
20-24			-	-
25-29		-	-	-
30-39		-	-	-
40-49		-	-	-
50-59	+		-	-
60-64	+	+	-	
Ethnic origin				
White (reference category)				
Asian		+		+
Black	+			
Other ethnic minority	+		+	
Married	-		-	-
Children				
Child under 5	-	-		
Child 5-18 years	-	+	-	-
Female and child under 5			-	
Female and child aged 5-18		+	+	
Female and married	+		+	+
Highest qualification				
Degree	+	+	+	+
Higher qualification below degree	+	+		+
A-level	+	+		+
GCSE		+	-	+
Other qualification	+	+		+
No qualification (reference category)				
Currently in full time education		+	+	+
Current job tenure	-	-	-	-
Made redundant in last 3mths	+	+		+
Part time	+	+	+	+
Public sector	+	+		
Occupation(SOC2000)				
Management	-	+	-	
Professional		+	-	+
Associate professional & technical		+	-	+
Administrative & secretarial	+	+		
Skilled trades				+
Sales (reference category)				
Personal services	+	+		+
Process, plant & machinery operatives	+		+	+
Elementary occupations	+		+	
Arrived in the UK after 2003	+	+		
Country of origin				
UK (reference category)				
Old EU		+		
New EU	+			+
Rest of world	+	+		+

Notes: Results are derived from multinomial logit analysis and indicate impact of factor on the relative risk of agency and other temporary job states relative to probability of permanent employment. A positive sign indicates that the factor is associated with an increased risk of agency/fixed-term/seasonal or casual/other temporary employment relative to permanent employment; a negative sign indicates that the factor is associated with decreased risk. Data are weighted from pooled consecutive quarters of the Labour Force Survey, Jan/March – Oct/Dec 2007.

4. Agency workers and pay

Pay is a key area of concern in the debate on the experience of agency workers, however controversy and speculation abounds. In its original Regulatory Impact Assessment of the European Commission's (EC) 2002 draft directive on agency working, the Department for Trade and Industry (DTI) estimated agency workers' pay to be approximately 68 per cent that of permanent employees, on average, although it was noted that anecdotal evidence suggests some agency workers receive higher pay in particular occupations.²¹

In its reaction to the draft directive and DTI impact assessment, the Recruitment and Employment Confederation (REC) reported the findings from one of its own commissioned surveys, stating that 62 per cent of agency workers did not *believe* that their permanent equivalents earned more than they did.²² However, the accompanying appendix makes it clear that this figure of 62 per cent comprises 21 per cent 'don't knows', 13 per cent reporting the same pay and only 29 per cent who believed comparable workers in the client firm to be on less pay.²³ Interestingly, the same survey reports that 43 per cent of agency staff report pay and benefits to be *worse* than their last permanent job (and 27 per cent better), whilst some 82 per cent reported that comparable permanent workers enjoyed better benefits in the client firm than they did as agency workers (and only 1 per cent worse). This issue is discussed further in Section 5 below.

A further source of confusion in popular discourse relates to the difference between the pay received by the agency worker and the cost to the client firm employing the agency worker (and hence the amount received by the agency for supplying the worker). The fees charged by the agency to the client firm will include a premium over the worker's hourly rate to cover employer costs such as national insurance contributions, paying for annual holiday entitlement and the mark-up charged by the agencies themselves. The DTI regulatory impact assessment estimates that the statutory charges alone add one-third to the cost of an agency worker. So, whilst the total cost to the client will likely be higher per hour than a comparable directly employed worker, the amount received by the agency worker may well be lower. In the following analysis the focus is on the pay received by individual workers.

4.1 What are agency jobs worth?

Information on the hourly pay received by individual workers is available from the Labour Force Survey. Data on employee wages for 2007 are reported in Table 5.

²¹ DTI (2002) *Proposal for a Directive of the European Parliament and of the Council on Working Conditions for Temporary Agency Workers - Regulatory Impact Assessment*. London: Department of Trade and Industry (<http://www.berr.gov.uk/files/file30165.pdf> accessed 30/4/08)

²² REC (2002) *Response of the Recruitment and Employment Confederation to the Department of Trade and Industry's Consultation on the Proposed Agency Workers Directive* London: Recruitment and Employment Confederation. (<http://www.rec.uk.com/rec/lobbying/AWDResponseOct2002.pdf>)

²³ REC (2002), appendix 2 (figures may not be consistent due to rounding): (<http://www.rec.uk.com/rec/lobbying/AWDResponseOct2002Appendix2.pdf> accessed 30/4/08)

The data are pooled from four consecutive quarterly surveys in order to achieve a reliable sample size.

Table 5: Hourly wages by contract type and gender: 2007

	All	Men	Women
<i>A) Hourly wage (£)</i>			
Permanent (p)	11.47	12.70	10.15
Agency (a)	7.80	7.49	8.26
Fixed term (f)	11.44	12.64	10.48
Seasonal/ casual (sc)	6.42	6.86	6.06
Other temporary (o)	8.80	8.74	8.85
<i>B) Wage difference (in £s)</i> (proportional gap between permanent and temporary in brackets)			
(p) – (a)	3.67*** (-32%)	5.22*** (-41%)	1.89*** (-19%)
(p) – (f)	0.03 (-0.3%)	0.07 (-0.6%)	-0.33 (+3%)
(p) – (sc)	5.05*** (-44%)	5.84*** (-46%)	4.09*** (-40%)
(p) – (o)	2.68*** (-23%)	3.96*** (-31%)	1.30*** (-13%)
<i>C) Wage differentials after controlling for worker characteristics</i> (hourly wage gap between permanent and temporary work, %)			
Agency	-10.0***	-12.4***	-5.5**
Fixed-term	-3.3**	-4.4	-2.4
Seasonal/casual	-6.9***	-2.6	-11.4***
Other temporary	-12.9***	-16.2***	-10.9***

Source: Labour Force Survey, pooled quarterly datasets Jan/March – Oct./Dec. 2007.

Notes: Wages in constant (Spring 2007) pounds; data are weighted. Panel B: significance test of difference in average wage included; Panel C: estimated by ordinary least squares regression; significance test shown is of difference of estimate from zero: * indicates significant at 10% level **significant at the 5% level *** significant at 1% level (no star signifies result is not statistically significantly different from comparator). Full results available on request from authors.

Table 5 compares the hourly pay of agency workers not only to permanent staff, but also to other types of temporary worker. Panel A shows the mean hourly wage by contract type. On average, agency workers are paid considerably less per hour than permanent employees, and less than most other temporary workers. The ‘raw’ hourly wage differential is reported in panel B, both in pounds and as a proportion of the permanent wage. The average hourly wage gap between permanent and agency workers is £3.67 per hour (a 32 per cent differential) and this figure rises to £5.22 per hour for male agency workers (a 41 per cent differential). For female agency workers the hourly wage gap is £1.89 (a 19 per cent differential). Panel B also indicates whether the differences reported between temporary and permanent workers’ average pay are statistically significant (based on results from ‘t-tests’). With the exception of fixed term contracts, the wage gaps are highly statistically significant and so a high degree of confidence can be placed on the estimated differentials.

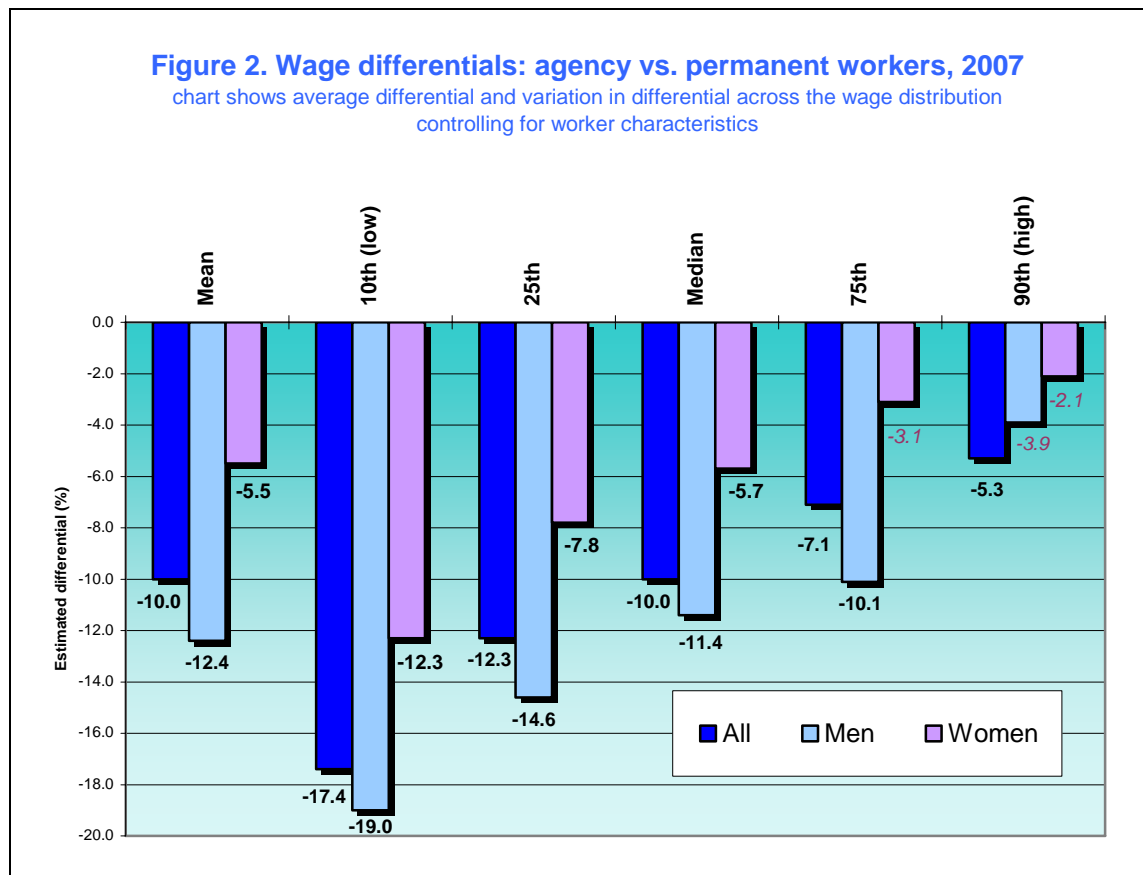
However, it is not sufficient to focus simply on the absolute wage differentials. A proportion of the wage gap will be due to the different characteristics of agency and permanent workers, such as qualifications, age, job tenure, occupation, industry etc. as noted in Table 2 above. Panel C reports the results of analysis that takes these variations into account (through multiple regression analysis). As expected, the size of the differential between agency work and permanent jobs drops (compare to panel B), but a marked difference remains. On average, controlling for differences in characteristics, agency pay is 10 per cent lower per hour. For men, the gap is over 12 per cent whilst for women it is nearly 6 per cent. By way of comparison, it is interesting to note that there is no significant wage penalty for fixed term contract workers (who are subject to equal treatment legislation) whilst male agency workers experience a larger wage penalty than comparable seasonal and casual workers.

4.2 Wage gaps for high and low earners

The differentials reported above are the *average* wage gaps between permanent, agency and other temporary workers. As in the DTI Regulatory Impact Assessment, anecdotal evidence of highly paid agency workers is often highlighted in debate. It is possible to analyse the size of the wage gap between permanent and agency workers at different points in the wage distribution, through a technique called quantile regression. This approach can interrogate the hypothesis that agency working may have different implications for workers who receive relatively high pay and those in low paid work. Again, variations in other observable characteristics are controlled for and so the reported wage differential indicates the impact of contract status on pay outcomes for otherwise comparable workers. Figure 2 reports results from analysis of the 2007 Labour Force Survey data.

The first set of columns report the average (mean) wage differential, as reported in panel C of Table 5 above. The remaining columns indicate the hourly wage differential across the wage distribution. Looking at workers in the lowest 10 per cent of the wage distribution, the hourly wage gap between permanent and agency work is much larger than average: for men it rises to 19 per cent and for women to 12 per cent. For workers in the bottom 25 per cent of the wage distribution, wage gaps for agency work again remain large and above average. At higher points in the wage distribution, the ‘penalty’ to agency working falls, but it is only for the highest

earners that the wage gap disappears for some agency workers: men and women in the top 10 per cent (90th quantile) and women above the 75th percentile of the wage distribution.



Source: Labour Force Survey, pooled 2007 quarterly data.

Notes: Differentials estimated controlling for a range of worker characteristics. Mean differential calculated by OLS regression, as reported in Table 5. Other differentials estimated by quantile regression techniques. Differentials in black type are statistically significant. Differentials in coloured italics not statistically different from zero.

As figure 2 clearly shows, pay outcomes do indeed vary across the wage distribution, with size of the penalty to agency working depending very much on a worker's position in the labour market: those with the weakest earning power suffer the greatest wage penalty. However, whilst the very highest paid agency workers do not appear to be disadvantaged relative to comparable permanent workers (i.e. after controlling for differences in characteristics) they are *not* found to be better off than their permanent counterparts, challenging anecdotal evidence that some agency workers are able to benefit from this form of working in wage terms.

5. Holidays, work quality, skills and vulnerability

Pay is not the only factor to consider when examining the experience of agency work in relation to permanent work or indeed other types of temporary job. A key concern of both the European Commission and of the recent Private Member's Bill introduced to the UK Parliament is to ensure that agency workers do not experience less favourable working and employment conditions by virtue of their contract. As noted in Section 4 above, a recent survey by the Recruitment and Employment Confederation indicated that agency workers overwhelmingly report fewer benefits than comparable workers in the client firm.²⁴

Another widely-held concern is to ensure that Britain has a skilled and flexible workforce. Thus, access to training and learning is an important aspect of the workers' experience, both for the agency workers themselves and for the economy in general.

This section of the report considers a range of non-wage characteristics and compares the experience of agency workers to others. Some of these are areas in which proposed legislation is likely to make a direct impact (e.g. holiday entitlement; lack of employment rights and consequent anxiety). Other findings characterise the broader experience of agency work and relate to the concept of 'job quality', including measures of skill utilisation, workers' discretion, repetitive work and job satisfaction.²⁵

These indicators are once again drawn from representative national data, namely the 2007 Labour Force Survey and the 2006 Skills Survey and provide a reliable measure of the average experience of agency workers in the UK. The 2006 Skills Survey, which provides data about jobs and the skills being used in them, involved a randomly-drawn sample of 7,787 employed people across the UK aged between 20 and 65.²⁶

5.1 Holiday entitlement

Under current labour law, those undertaking agency jobs are entitled to a range of rights as 'workers', as distinct from 'employees'. As workers, the National Minimum

²⁴ REC (2002), op.cit, Appendix 2.

²⁵ For a detailed discussion of trends in these variables across the labour markets of major industrialised economies see: Green, F. (2007) *Demanding Work: The Paradox of Job Quality in the Affluent Economy*, Princeton: Princeton University Press. For a discussion of recent trends in the UK in particular, see Brown, A., Charlwood, A., Forde, C. and Spencer, D. (2007) *Changing Job Quality in Great Britain*, Employment Relations Research Series Report No 70, London: Department of Trade and Industry.

²⁶ Felstead, A., D. Gallie, F. Green and Y. Zhou (2007) *Skills At Work, 1986 to 2006*, University of Oxford: SKOPE; and Felstead, A. and F. Green (2007) *Skills at Work in Scotland, 1997 to 2006*, Glasgow: Scottish Enterprise.

Wage and Working Time Regulations apply. Within the latter is the entitlement to 24 days of paid holiday (pro-rata for those working part-time).²⁷

Table 6 provides details of actual holiday periods, as reported by UK workers in the LFS. To ensure comparability, the analysis focuses on full-time workers only. With many agency workers experiencing a series of assignments, perhaps with breaks, there is scope for confusion about actual entitlement. The results in Table 6 indicate that full-time agency workers receive entitlement which is comparable to that reported by full-time casual workers but less than all other categories of worker.

Table 6: Annual paid holiday entitlement, full-time workers 2007

	Days	Weeks
Permanent	26.5	5.3
Agency	20.2	4.0
Fixed-term	26.8	5.4
Seasonal/casual	19.8	4.0
Other temporary	22.2	4.4

Source: Labour Force Survey, Autumn (Oct-Dec.) 2007. A 5-day working week is assumed.

5.2 Work quality

In addition to the extrinsic features of jobs such as pay and holiday rights, also important for the workers' overall experience is the nature of the work itself. Is the work fulfilling, is there scope for variation, or is it dull and repetitive? Do workers have some say over the tasks they are performing, or must they always do exactly as they are told? The extent to which the work is repetitive, and the level of personal autonomy, are two useful indicators of the quality of work.

Respondents to the Skills Survey were asked how often their work involved carrying out 'short repetitive tasks', and they could reply on a 5-point scale ranging from 'never' to 'always'. Table 7 gives the proportions who replied 'always'. As can be seen, agency workers were much more likely than other groups to be always doing repetitive work: for example, 37 per cent of agency workers compared with just 15 per cent of permanent workers. It is conceivable that this difference is due to the varying characteristics of agency workers, or the different industries in which they are located. Testing for this possibility by controlling for worker characteristics (education level and work experience) and for industry did not alter this result, the difference between permanent and agency workers remaining just as large.²⁸

The next three columns of Table 7 all address the amount of personal influence workers have over their tasks. Respondents could report that they had 'a great deal',

²⁷ Before 1st October 2007 the entitlement was 4 weeks (20 days).

²⁸ The difference is reduced to 15 percentage points if one also controls for the occupation of the worker.

‘a fair amount’, ‘not much’ or ‘none at all’. The table shows the proportions in the first two categories. Together, they build a picture of the extent of task discretion (sometimes called ‘autonomy’) afforded to workers. As can be seen, agency workers enjoy far less task discretion on all three measures than the other groups. For example, approximately a third of agency workers enjoy high levels of discretion over how to perform their tasks, as compared to almost two-thirds of permanent workers. Again, this difference remained just as large even after controlling for worker characteristics and industry.

Table 7: Repetitive work and task discretion, 2006

	% always doing repetitive work	% with “a fair amount” or “a great deal” of personal influence over:		
		What tasks	How to do tasks	Pace of work
Permanent	14.8	91.4	66.8	83.3
Agency	37.4	68.3	31.4	44.3
Fixed-term	9.8	90.5	70.3	85.1
Seasonal/casual	24.0	72.9	48.6	61.0

Source: The 2006 Skills Survey.

Table 8: Dissatisfaction with quality of work

	% dissatisfied with:			
	Variety in the work	The work itself	Opportunity to use abilities	Being able to use own initiative
Permanent	6.4	4.7	6.5	4.6
Agency	18.8	16.6	31.7	26.9
Fixed-term	6.3	6.7	9.3	6.1
Seasonal/casual	17.7	17.3	22	21.2

Source: The 2006 Skills Survey.

Note: Dissatisfied means responding “fairly dissatisfied”, “very dissatisfied” or “completely dissatisfied” on a 7-point scale.

It is also useful to see how the different categories of workers feel about intrinsic job features. The respondents to the 2006 Skills Survey were asked how satisfied they were with many aspects of their jobs, and Table 8 shows their responses about intrinsic aspects. Roughly 1 in 6 agency workers were dissatisfied with the variety in their work, and with ‘the work itself’, as compared with approximately 1 in 20 permanent workers. The next two columns focus on the perceived utilisation of workers’ faculties. Agency workers show an especially high level of dissatisfaction –

nearly 1 in 3 workers – with the opportunity to use their abilities; this compares with only 6 per cent of permanent workers. Similarly, agency workers are much more likely to be dissatisfied with the opportunity to use their initiative than permanent workers (27 per cent compared with 5 per cent).

5.3 Training and the learning environment

While skill use is important, perhaps even more so is the opportunity for workers to acquire more skills through formal or informal training and learning. In this way agency workers can hope to improve their jobs in both extrinsic and intrinsic terms. Yet, the nature of agency work may entail workers being used to cover short term needs: firms are looking to ‘buy-in’ ready made skills. Given this, it can be expected that agency workers will receive less training from employers. From the agency’s perspective, there may be some incentive to provide basic training – perhaps for a fee – in order to be able to meet client firms’ demands or their health and safety obligations. It could also happen that agency workers informally learn new things through their involvement in new workplaces.

From a labour market perspective, the current level of protection for agency workers is defended in terms of the flexibility that they give employers to bring in workers to meet fluctuating demands. As we have seen, they also provide pecuniary flexibility in that agency workers are receiving less pay. However, in the long term what also matters is the productive flexibility of workers, which requires in the modern economy an environment in which skills can be upgraded and renewed. If agency workers receive limited training then in the long-term this undermines their contribution to labour market flexibility. From a user’s point of view, the firm is ‘buying’ rather than ‘making’ skills, which may be rational given their short term needs. However, given the problems in recouping their investment, agencies are not likely to contribute greatly to the making of skills, which leaves open the question of how skills will be produced and reproduced in the longer term. In other words, there may be a trade-off between short-term and long-term flexibility.

It is useful, therefore, both from the workers’ perspective and that of the economy generally, to examine the evidence about training and learning, to see whether it is in fact the case that agency workers receive less overall, and whether the difference is substantial enough to raise concern.

Table 9 shows that agency workers receive much less training than all other groups of temporary workers and permanent employees, with less than 1 in 5 experiencing training of any type in the previous three months. Turning to training received in the last four weeks, the proportion drops to 9 per cent - less than half the incidence of other temporary workers, including casual and seasonal staff. This difference would seem sufficiently large to raise some concerns about the developmental needs of this section of the workforce.

Such concern is re-inforced when it comes to considering the learning environment. It is widely recognised that people learn new skills, not only through formal training courses, but through their daily work. Many jobs require employees to keep learning new things, while others are static, remaining the same for years. Table 10 shows that roughly one third (33.9 per cent) of permanent workers in the Skills Survey “strongly agreed” that they were in jobs that require them to keep learning new

things; this compares with 21.3 per cent of agency workers. Only casual/seasonal workers have a less conducive learning environment. Thus, the evidence is conclusive that agency workers are in practice substantially less exposed to training and learning than permanent and fixed-term workers.

A final point demonstrated in Table 10 is that agency workers are very much less likely to be making use of their *existing* skills in their agency work (78 per cent compared with 33 per cent), consistent with the agency workers' low level of satisfaction (shown in Table 8). For some workers this skills mismatch will be of less importance if through agency work they can temporarily meet other needs in their lives. But for the large proportion of agency workers who are doing this kind of work involuntarily (because they cannot find permanent or fixed-term work), this skills underutilisation is both an economic inefficiency and a detriment to these workers' well-being.

Table 9: Incidence of training by job type, 2007

	Any training in last 3 months, %	Any training in last 4 weeks, %
Permanent	28.5	14.4
Agency	17.1	9.2
Fixed-term	37.6	22.3
Seasonal/casual	28.0	20.9
Other temporary	34.0	20.8

Source: Labour Force Survey, Spring (April-June) 2007

Table 10: Skill use and learning environment

	% Underutilising their skills*	% where job requires learning new things**
Permanent	32.7	33.9
Agency	78.5	21.3
Fixed-term	30.1	39.3
Seasonal/casual	64.9	13.7

Source: The 2006 Skills Survey.

Notes:

* Responding "disagree/strongly disagree" to the statement "In my current job I have enough opportunity to use the knowledge and skills that I have", or "very little/a little" to the statement "How much of your past experience, skill and abilities can you make use of in your present job?"

** Respondent "strongly agrees" (4-point scale) with the statement: "My job requires that I keep learning new things".

5.4 The perceived vulnerability of agency work

It is widely recognised that agency workers have few employment rights under existing legislation. In particular, agency workers are often unable to claim rights to unfair dismissal or to redundancy.²⁹ Their uncertain legal status has been a cause for concern, not least because it provides further scope for the abuse of migrant agency workers in particular.³⁰

One way to investigate the impact of this precarious legal position is to ask agency workers how anxious they are about possible abuses. Table 11 provides an insight into this issue, drawing on an analysis of the *Working in Britain 2000* survey.³¹ The table compares the anxiety reported by agency workers about mistreatment to other temporary and permanent staff. It should be noted that this survey was conducted prior to the extension of unfair dismissal and redundancy rights to fixed term contract workers and before the growth in EU migrant workers.

Agency workers clearly experience the greatest anxiety about all cases of mistreatment, with around one-third very anxious about arbitrary dismissal, discrimination and victimisation by management. These findings reinforce the case-study evidence highlighting the position of vulnerable agency workers. They also signal the problems created by ambiguity over current employment rights and employment status currently facing agency workers, the very conditions which allow for such vulnerability.³²

²⁹ Davidov, G. (2004) 'Joint Employer status in triangular employment relationships', *British Journal of Industrial Relations* 42:4 pp. 727–746; Burchell, B., Deakin, S. and Honey. (1999) *The Employment Status of Individuals in Nonstandard Employment*, EMAR Employment Relations Research Series no. 6, London: Department for Business, Enterprise and Regulatory Reform (www.berr.gov.uk/files/file11628.pdf)

³⁰ TUC (2007) *Migrant Agency Workers in the UK*, London: TUC (www.tuc.org.uk/international/tuc-14040-f0.pdf)

³¹ *Working in Britain 2000* is a randomly drawn sample of workers aged between 20 and 60 in Britain. Further details are included in the appendix.

³² 'Relief for business as court rules agency workers can't claim rights of permanent staff', *The Times*, 5th February 2008, (<http://business.timesonline.co.uk/tol/business/law/article3312089.ece> accessed 30/4/08); TUC (2007) *Agency Workers: Counting the Cost of Flexibility*, London: TUC (www.tuc.org.uk/extras/sectorreport.pdf)

Table 11: Anxiety about vulnerability in job

		% anxious about suffering:			
		Arbitrary dismissal	Discrimination	Victimisation by management	Bullying
Permanent	<i>Very anxious</i>	9.8	8.7	8.3	6.42
	<i>Fairly anxious</i>	12.5	10.2	9.2	5.9
Agency	<i>Very anxious</i>	31.4	35.0	30.1	25.6
	<i>Fairly anxious</i>	27.8	23.2	22.3	13.7
Fixed-term	<i>Very anxious</i>	11.5	7.0	4.3	4.6
	<i>Fairly anxious</i>	13.7	7.9	10.9	5.6
Seasonal/ casual	<i>Very anxious</i>	15.9	9.3	16.6	18.5
	<i>Fairly anxious</i>	7.6	18.8	11.5	8.5
Other temporary	<i>Very anxious</i>	27.7	14.8	18.1	6.6
	<i>Fairly anxious</i>	8.8	18.4	7.9	0.0

Source: Working in Britain 2000. Respondents reported whether they were 'not at all anxious', 'not very anxious', 'fairly anxious' or 'very anxious' about each of these situations arising in their workplace. The table reports the proportions in the top two categories. Data are weighted.

6. Conclusions

Much discussion of agency working in the UK is based on particular cases or limited surveys. Despite the importance of having a detailed picture of the sector in the wake of proposed regulation, there is a surprising lack of systematic evidence. This report has sought to make a contribution to debate and to plug some of the many gaps in knowledge. Using nationally representative, reliable survey data and sophisticated statistical analysis, the findings in this report shed light on the experience of agency work in the UK today. Whilst not denying the important insights that case study work can provide, it is important not to lose sight of the 'bigger picture' presented here.

Central to the debate around proposed regulation are issues of pay, conditions and vulnerability. The analysis of pay presented here reveals that a significant penalty exists between temporary agency and similar permanent workers. This penalty is greater the lower the worker's position in the wage distribution, meaning that those in the weakest labour market position do worst.

Turning to non-wage conditions, there is clear evidence that, on average, agency workers are worse off. In particular, training is an area of concern. Whilst employers highlight the short-term flexibility that agency workers provide, from a longer term perspective, the very low levels of training agency workers receive threatens to compromise the productive flexibility of the economy. A modern economy requires an environment in which skills can be upgraded and renewed, but it appears that agency workers do not experience such an environment. And whilst many agency workers have relatively short job tenure, some experience long spells of agency working where the lack of access to training is clearly an important issue.

This report also highlights a high level of skills mismatch in agency work, with many workers dissatisfied with their ability to utilise their existing competences in what are often routine and repetitive tasks. For those workers who take such jobs because they are unable to secure permanent or fixed-term work, or who experience long tenure in agency jobs, this underutilisation of skills is a source of economic inefficiency and damaging to workers' welfare.

Finally, although these findings suggest poor outcomes for many agency workers, the size of the sector is not as large as frequently asserted by the industry. However, this does not mean that the experience of this group of workers should be ignored. Indeed, the findings from this report suggest that there is clear cause for concern and that an extension of regulation requires serious consideration.

Appendix

Further survey details and acknowledgements:

The authors acknowledge the Office for National Statistics as originators of the Labour Force Survey; and the Economic and Social Research Council (ESRC) as sponsors of the Working in Britain 2000 survey, together with the UK Data Archive at the University of Essex as distributors of the data. The 2006 Skills Survey was funded by the ESRC and a consortium of government agencies: the Department for Education and Skills, the Department of Trade and Industry, the Learning and Skills Council, the Sector Skills Development Agency, Futureskills Scotland and Highlands and Islands Enterprise, Future Skills Wales, the East Midlands Development Agency and the Department for Employment and Learning in Northern Ireland.

The analysis reported here is the responsibility of the authors alone and cannot be attributed to either the sponsoring organisations or their representatives.

Labour Force Survey

Full details about the LFS can be found at: www.esds.ac.uk/Government/lfs/

Office for National Statistics. Social and Vital Statistics Division and Northern Ireland Statistics and Research Agency. Central Survey Unit, Quarterly Labour Force Survey, 2007, Jan-March to October-December quarters [computer file]. Colchester, Essex: UK Data Archive [distributor]

The 2006 Skills Survey

The 2006 Skills Survey, which provides data about jobs and the skills being used in them, involved a randomly-drawn sample of 7,787 employed people across the UK aged between 20 and 65. The survey includes weights to correct for the number of dwellings at each address and the differential probability of selection depending on the number of eligible interview subjects and to correct for differential response across socioeconomic groups.

Further details available at: <http://www.kent.ac.uk/economics/staff/gfg/>

Working in Britain, 2000

Working in Britain surveyed individuals aged 20 to 60, asking a range of questions on employment relations and employment contracts in face-to-face interviews. It was conducted as part of a wider ESRC-funded research project: The Future of Work (www.leeds.ac.uk/esrcfutureofwork/). Stratified random sampling was used to select households and one member per household was interviewed. Weights were calculated to correct for the differential probability of selection depending on the number of persons at each address and to correct for differential response across certain socioeconomic groups. Full details from the UK Data Archive:

White, M. et al., *Changing Employment Relationships, Employment Contracts and the Future of Work, 1999-2002* [computer file]. 2nd Edition. Colchester, Essex: UK Data Archive [distributor], November 2004. SN: 4641.
www.data-archive.ac.uk

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