

# Agency work and the business cycle

a theoretical explanation for different phases of the  
cycle

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Ernest E. Berkhout

seo economic research



## Origins

- **“Uitzendwerk en conjunctuur”**
  - 2003: SEO Report 704
  - Zijl, Berkhout, Korteweg (SEO) & Sol, Aerts (HSI)
- **“Temporary agency work and the business cycle”**
  - 2007: International Journal of Manpower, vol. 28-7
  - M. de Graaf-Zijl & E.E. Berkhout
- **Followup:**
  - de Groot (2006)
  - Ecorys (2009)

## Common knowledge: TAW leads business cycle in NL

- Goldschmeding 1999
- but also in 2006,
- and in 2009.
- So if everybody already knows...
- why did that need research?!

WEERGAVE

### Uitzendcijfers zijn economische indicator. Goh...

door **Marc Drees**, 12 februari 2009 om 16:20 0 tweet

Rubrieken: [Recruitment nieuws](#)

Na [uitgebreid onderzoek](#) is de volgende, voor mij volstrekt onvoorspelbare conclusie getrokken: *Uitzendwerk cijfers zijn belangrijke indicator voor voorspellen economische conjunctuur*

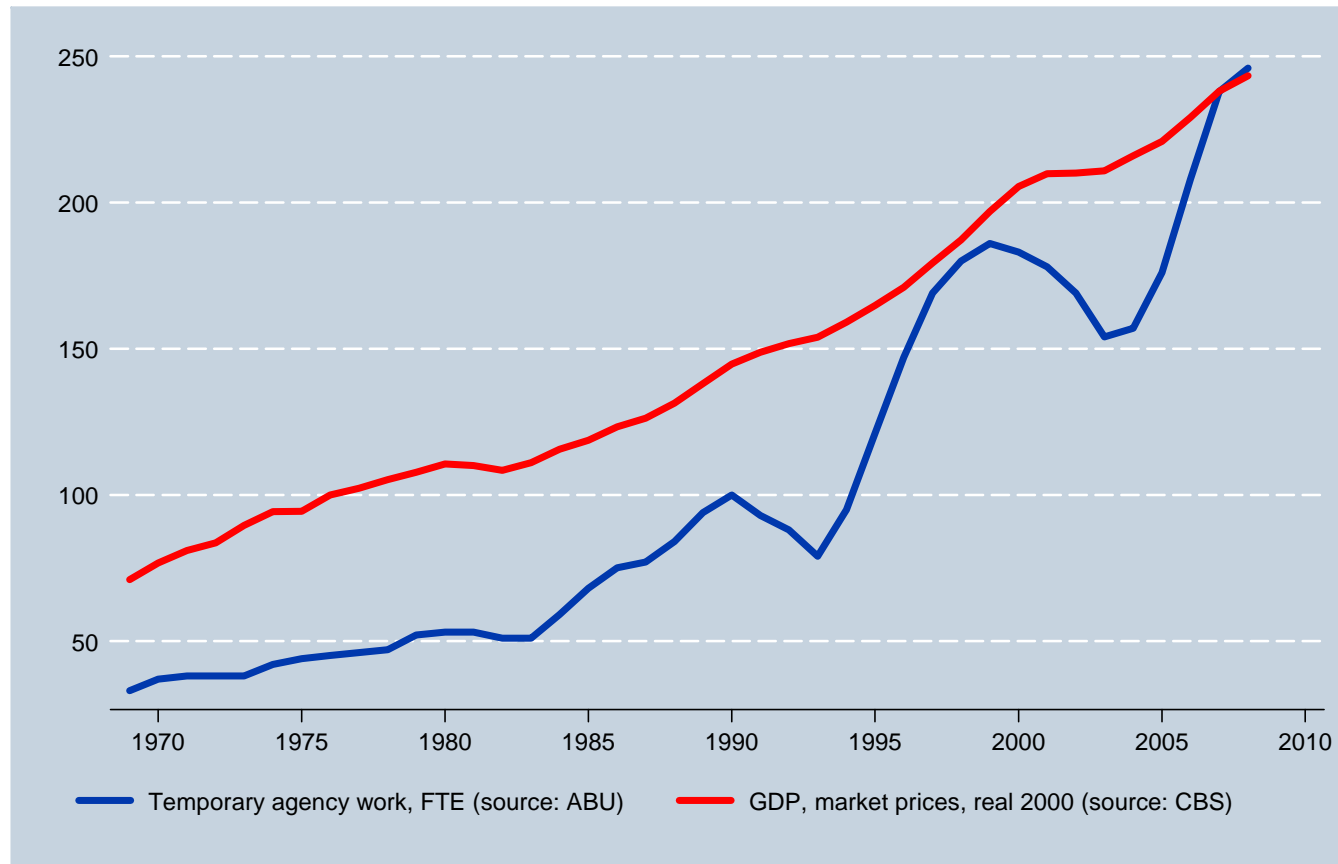
Het is niet te geloven... Wie had dat nou verwacht. Ik viel bijna van mijn stoel van verbazing. En dat daar onderzoek voor nodig is...

van het CBS van vrijdag moeten geloven. Het kwartaal van dit jaar is met 6 procent gedaald kwartaal, en dat gaat al een jaar zo. Er is mini uitzendkrachten.

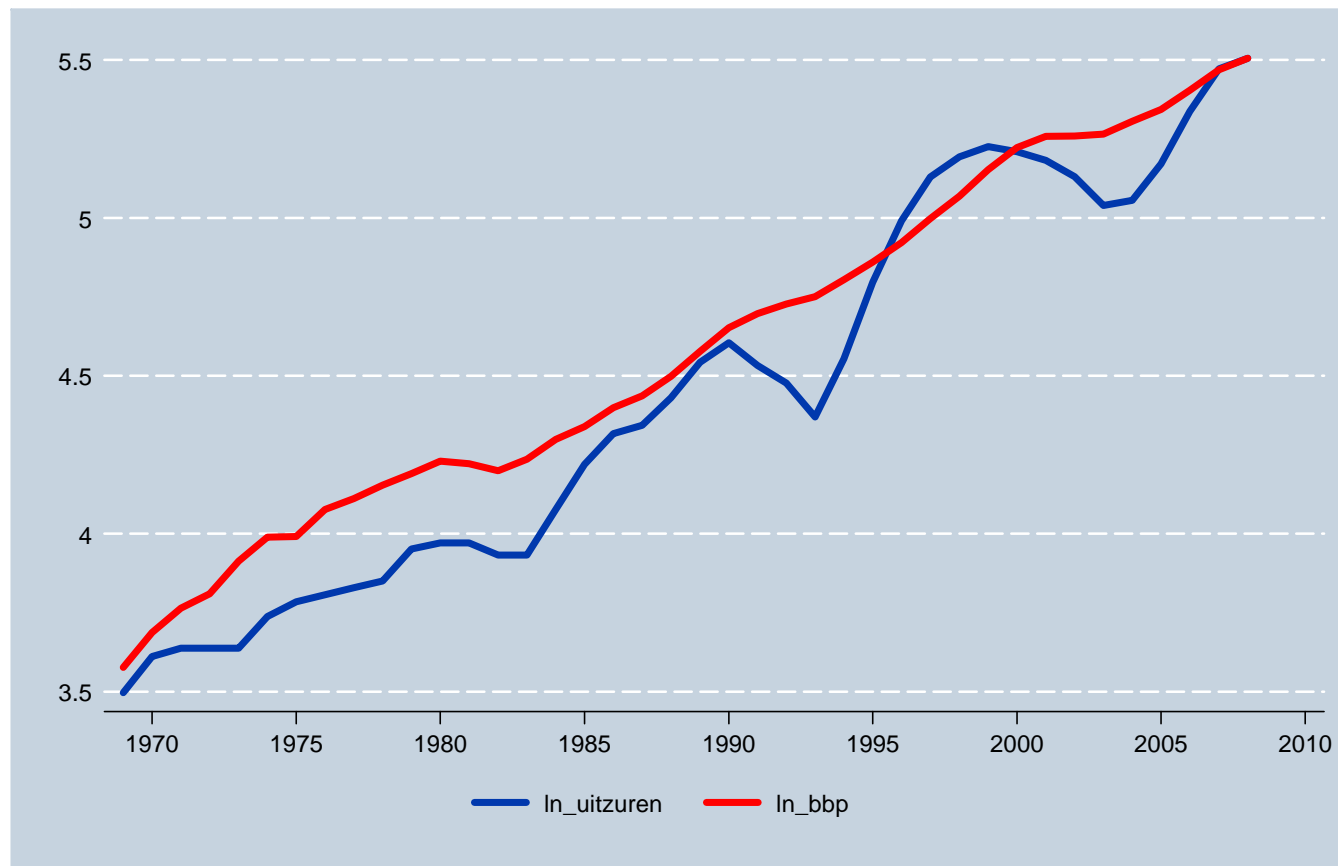
Slecht nieuws voor de burger en slecht nieuw

Blijf op de hoogte van:  Uitzendwerk

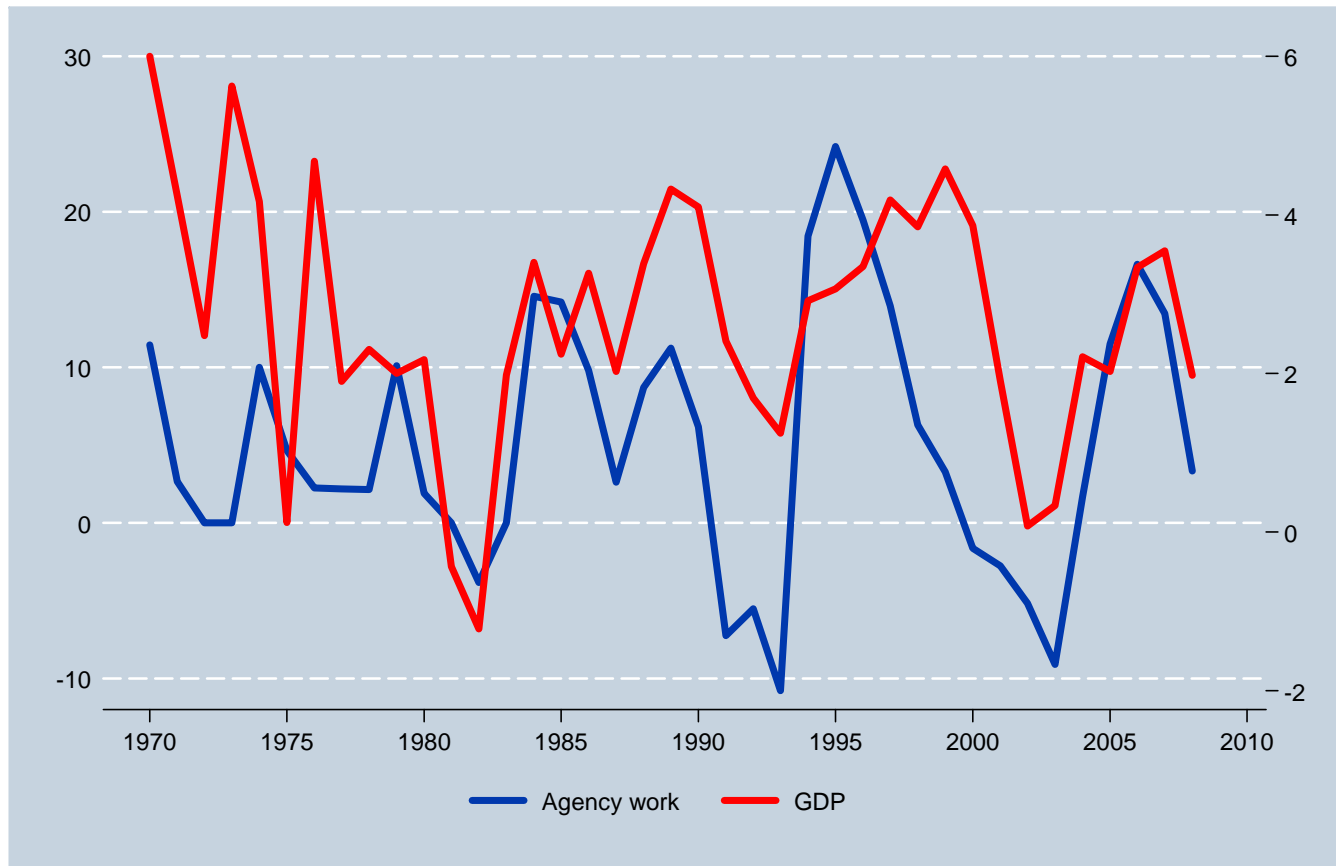
## A clear picture? (1)



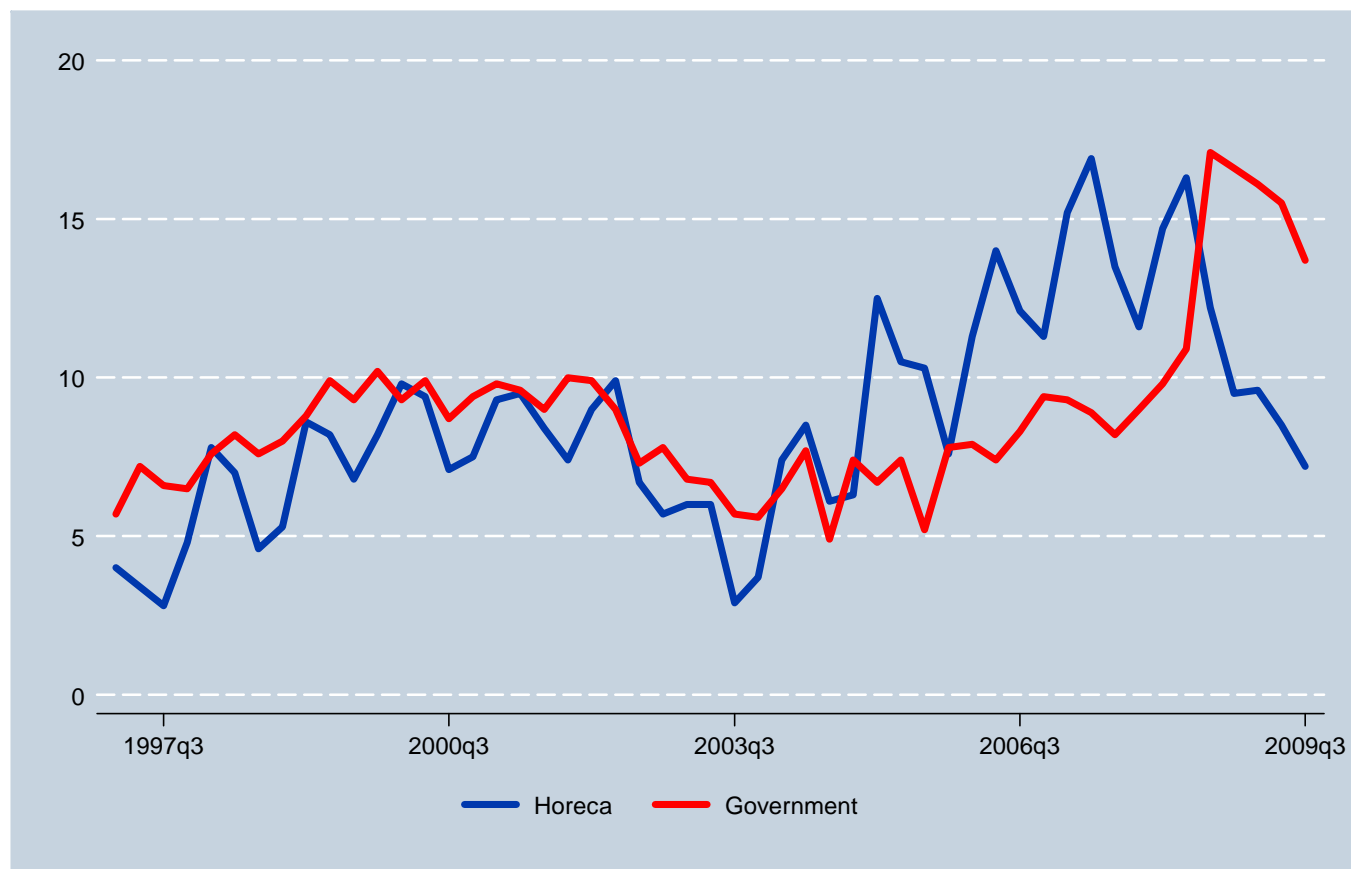
## A clear picture? (2)



## A clear picture? (3)



## Which cycle: economic or political?



## Demand & supply: not the same cycle

- **Demand:**
  - related to production/GDP in market sectors (economic cycle)
  - related to budget constraint in public sectors (political cycle)
  - higher uncertainty = higher demand
- **Supply:**
  - related to overall participation and institutional settings (long term)
  - bargaining power of employee (preference=permanent job)
  - tighter labour market, less flexwork supply

## Employers motives

	Zijl e.a. (2001)	IDEA/Fed ergon (2002)	Storrie (2002)	Housema n e.a, (2003)	Varejao (2003)	IBM (2003)
<b>screening</b>	X	X	X	X	X	X
<b>demand fluctuations</b>	X		X			X
<b>cost reduction</b>	X	X	X	X		X
<b>growth uncertainty</b>			X			X
<b>seasonal patterns</b>			X			
<b>sick-leave, holiday replacement</b>	X	X	X			X
<b>specialised tasks</b>	X		X			
<b>immediate availability</b>		X				
<b>less red tape</b>		X				
<b>comfort</b>		X				X

## Employees motives

	IDEA/Federgon, 2002	NEI, 2002	Christie, 2002
<b>experience</b>	X		
<b>temporary solution</b>	X		
<b>stepping stone</b>	X	X	X
<b>variation</b>	X		
<b>deliberate choiche</b>	X		
<b>extra income</b>	X	X	
<b>could not find permanent</b>			X

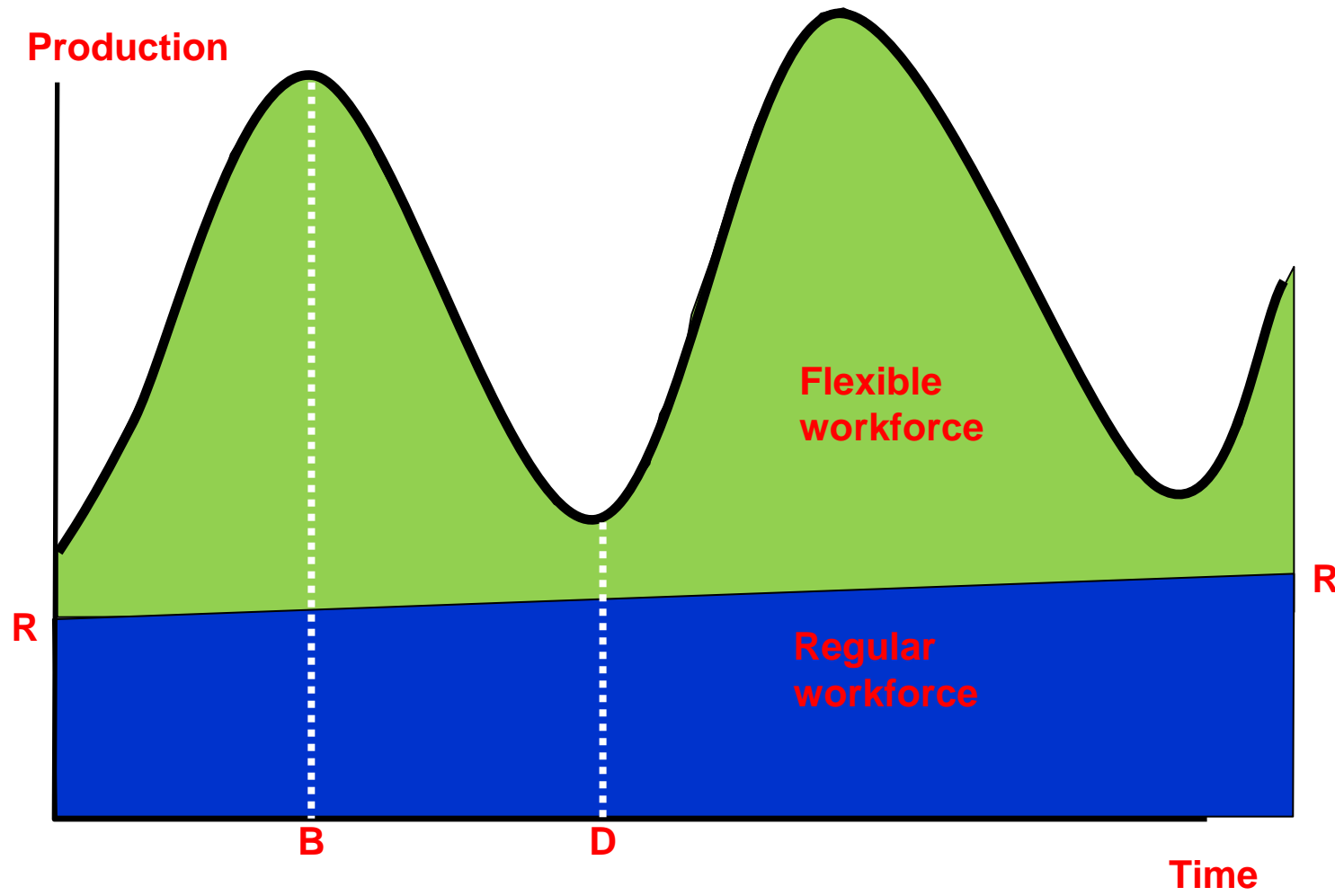
## ‘Common knowledge’

- in early upswing-stages: flexwork grows (uncertainty)
- in midst of boom: flexible --> permanent (bargaining power employee)
- over the top: flexworkers are fired first (downsizing)

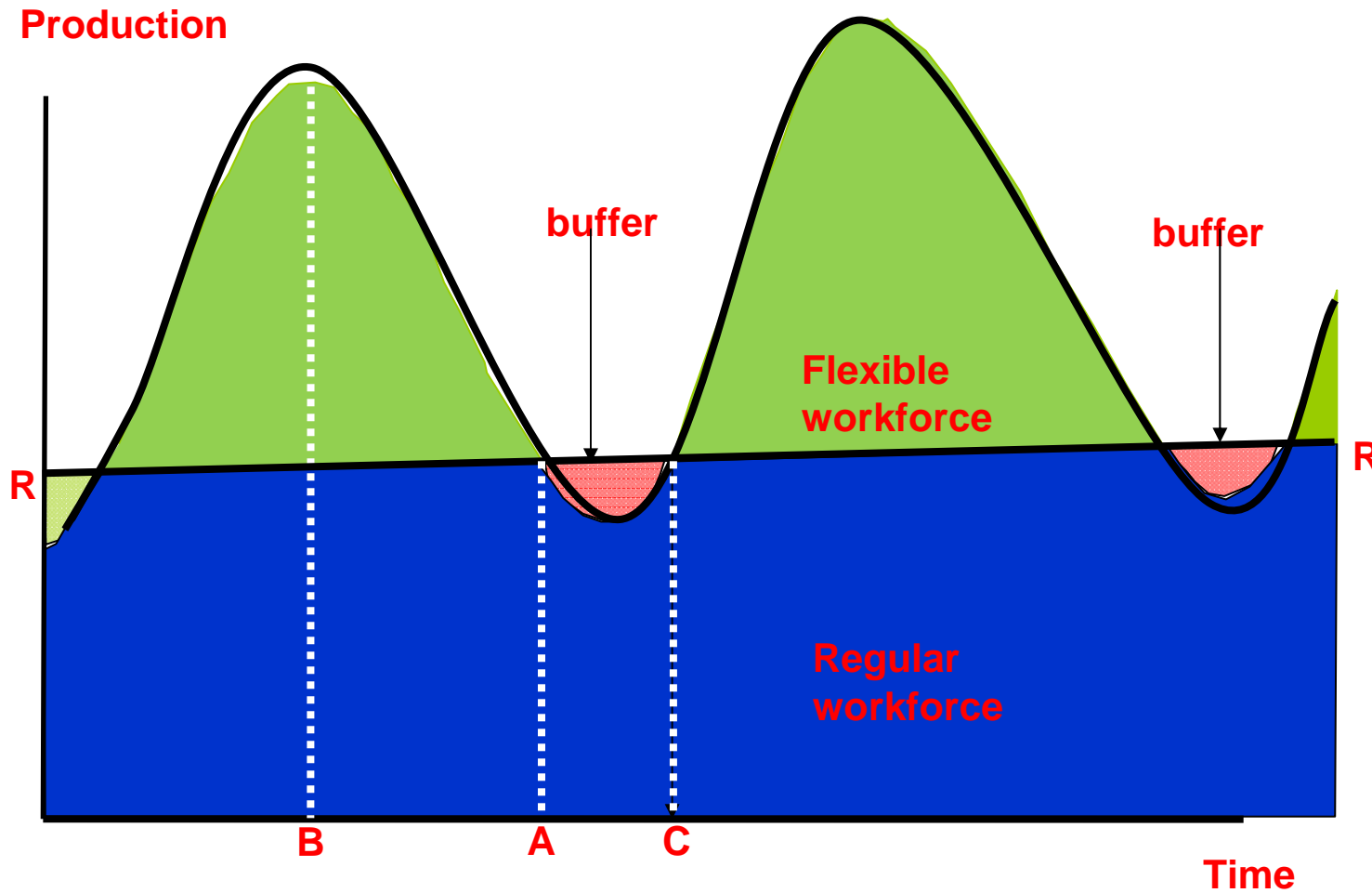
Joint result of fluctuations in *overall* demand and supply

How to translate common knowledge into theory?

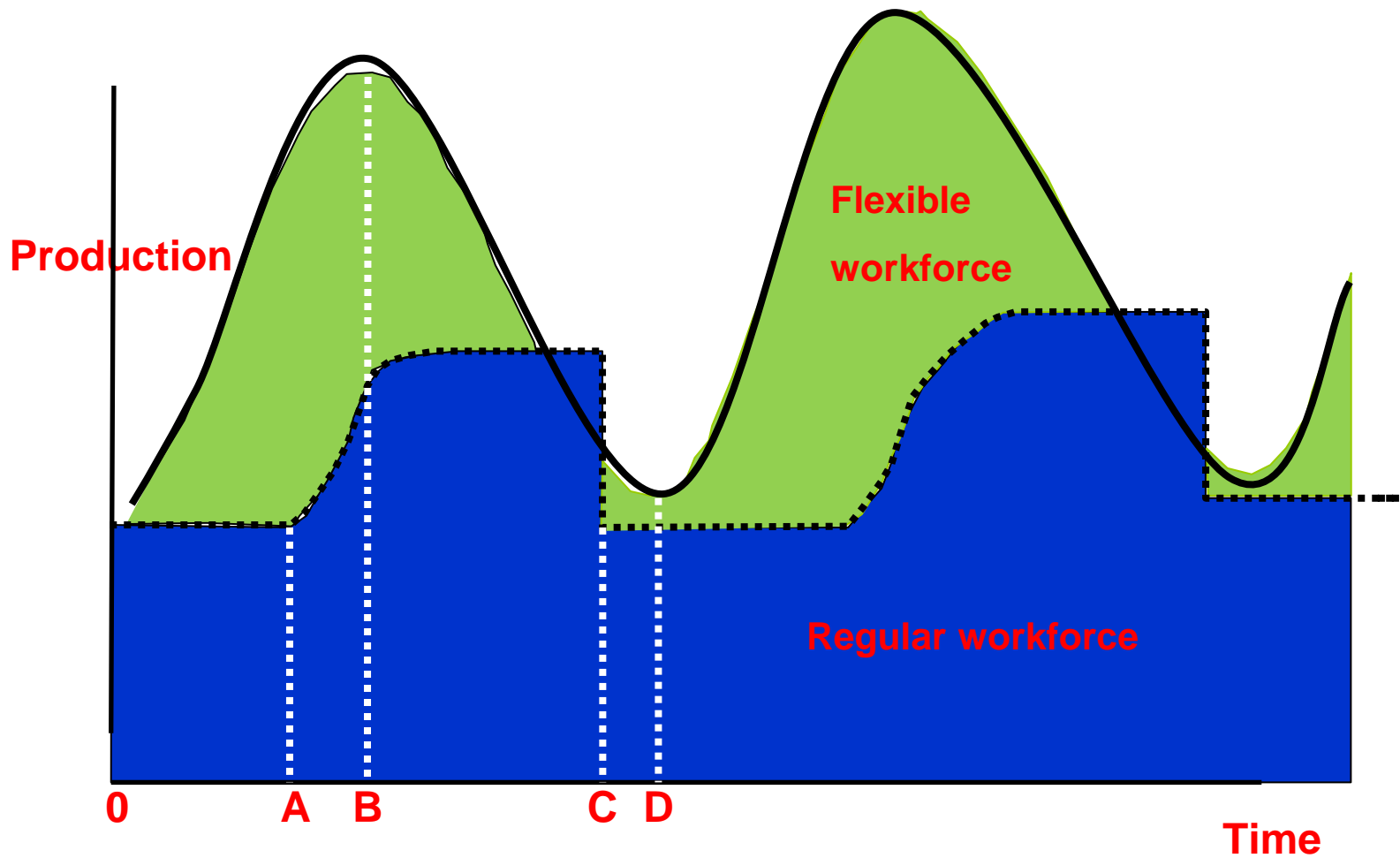
## Stylized company I – Flexible skin



## Stylized company II – 'Regular' buffer



## Theoretical model – temporary buffer



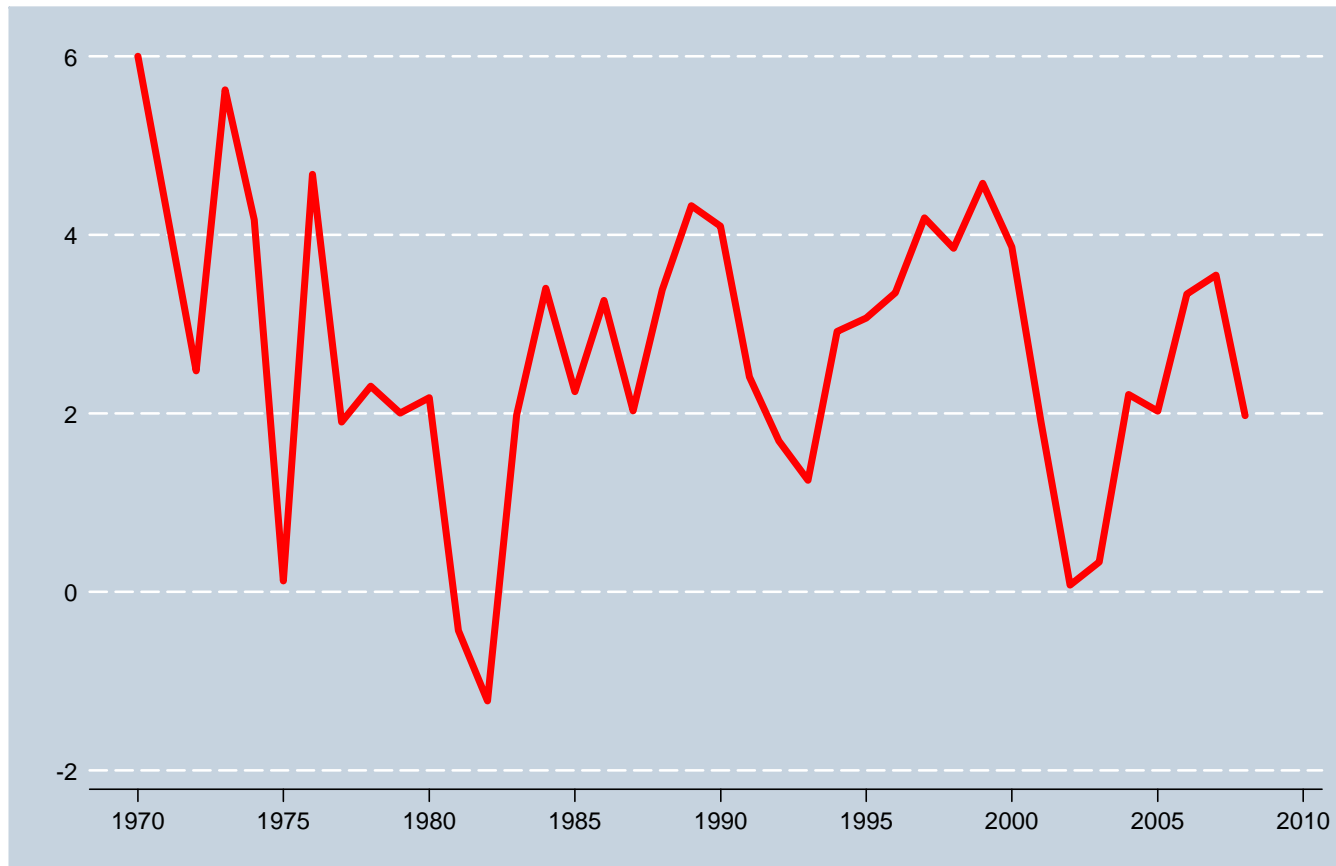
## Empirical evidence?

- quarterly data NL: only from 1987 onwards
- yearly data NL: constructed data set (SEO) 1969-2002
- time series analysis (Stata, Eviews)

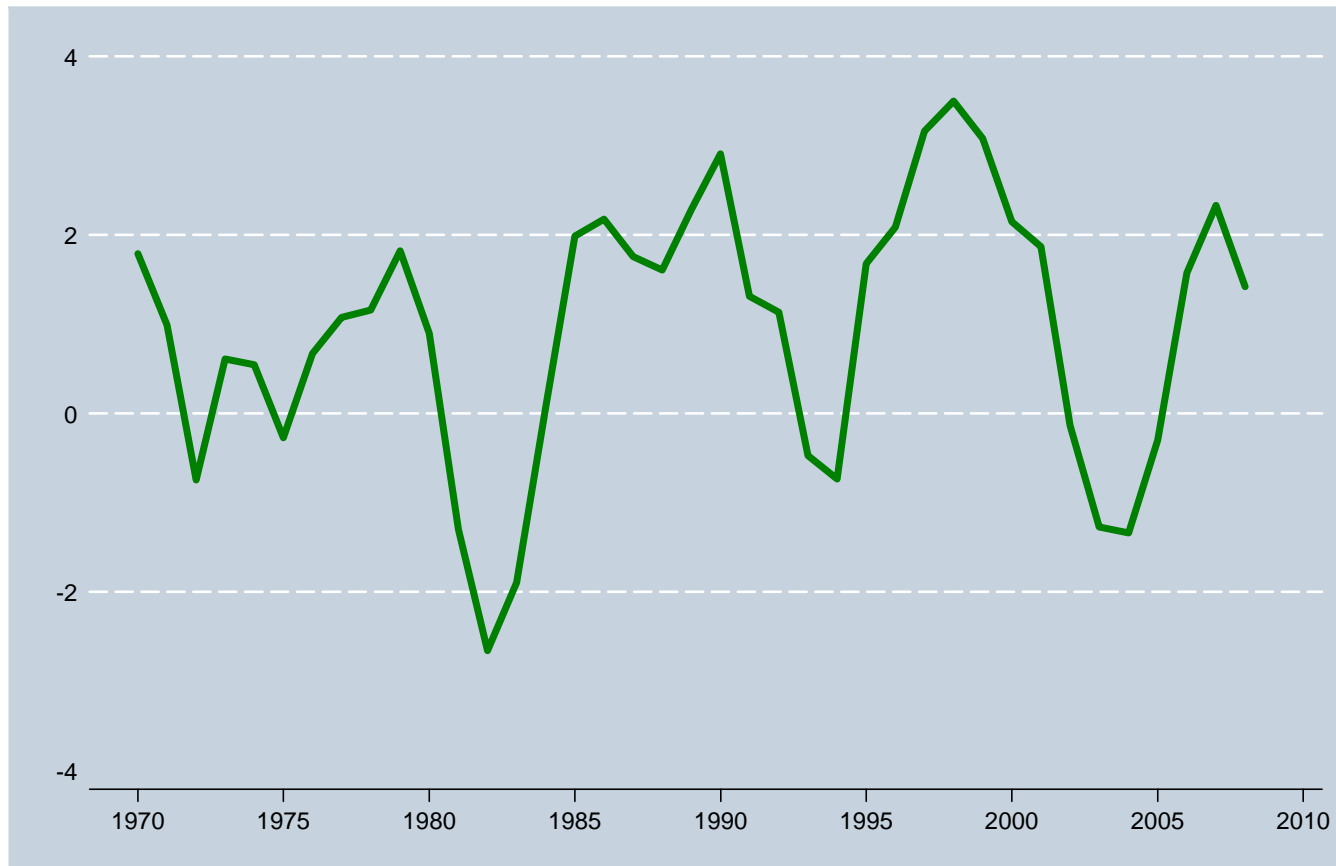
### NB:

- after 2002 original TAW series aborted
- several definition changes, latest in 2006
- quarterly data have serious break in 2001
- institutional reforms (major in 1999)

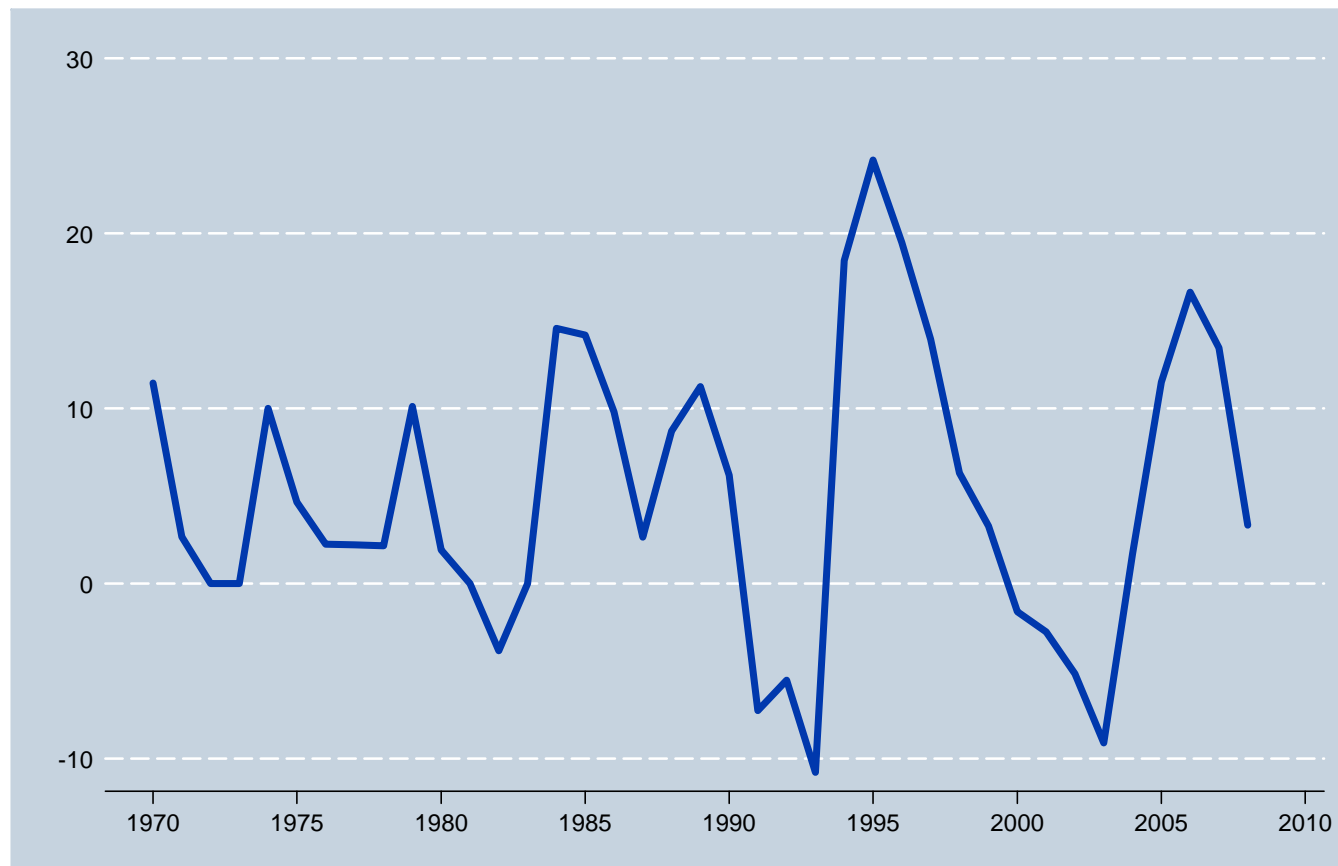
## Real GDP growth



## Total employment growth

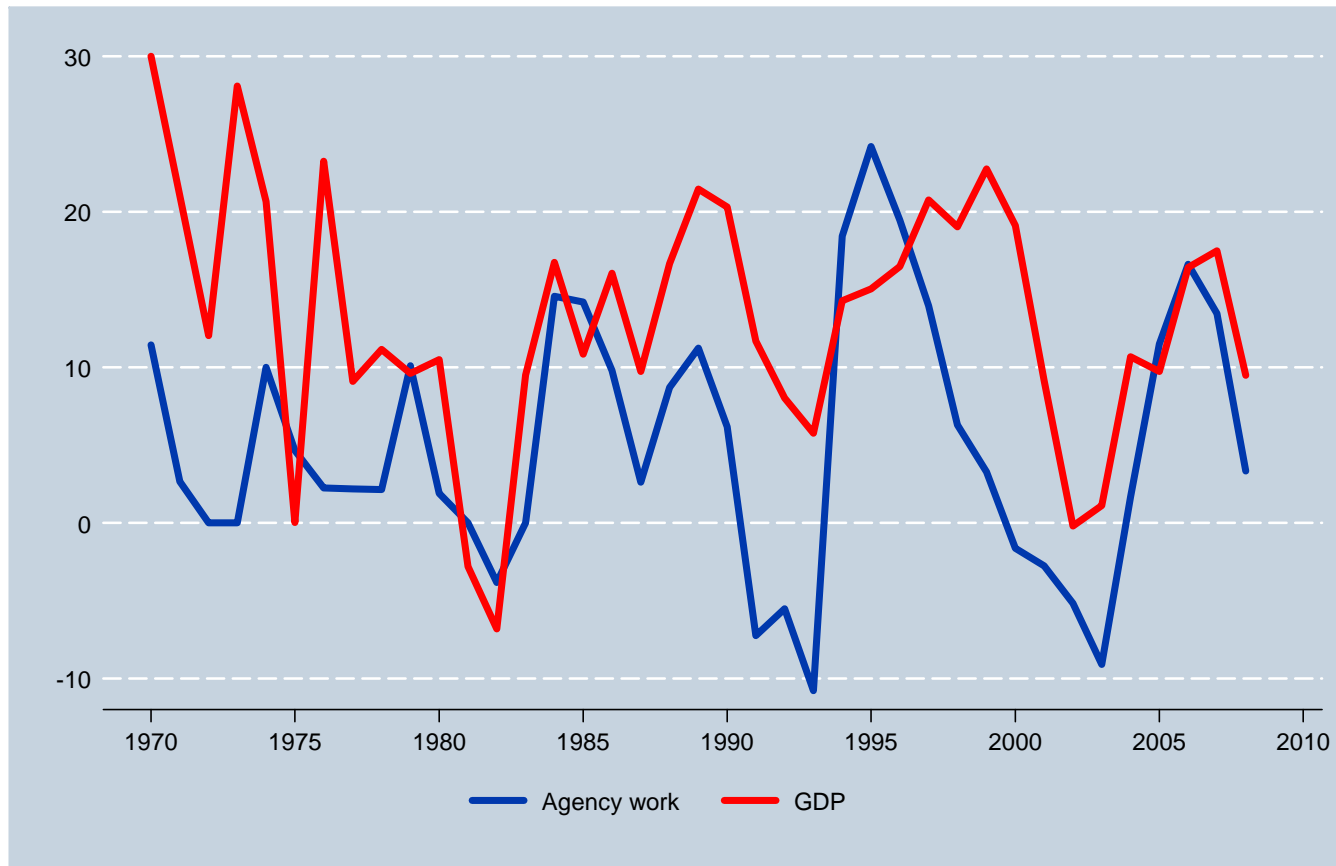


## Agency work growth (FTE)

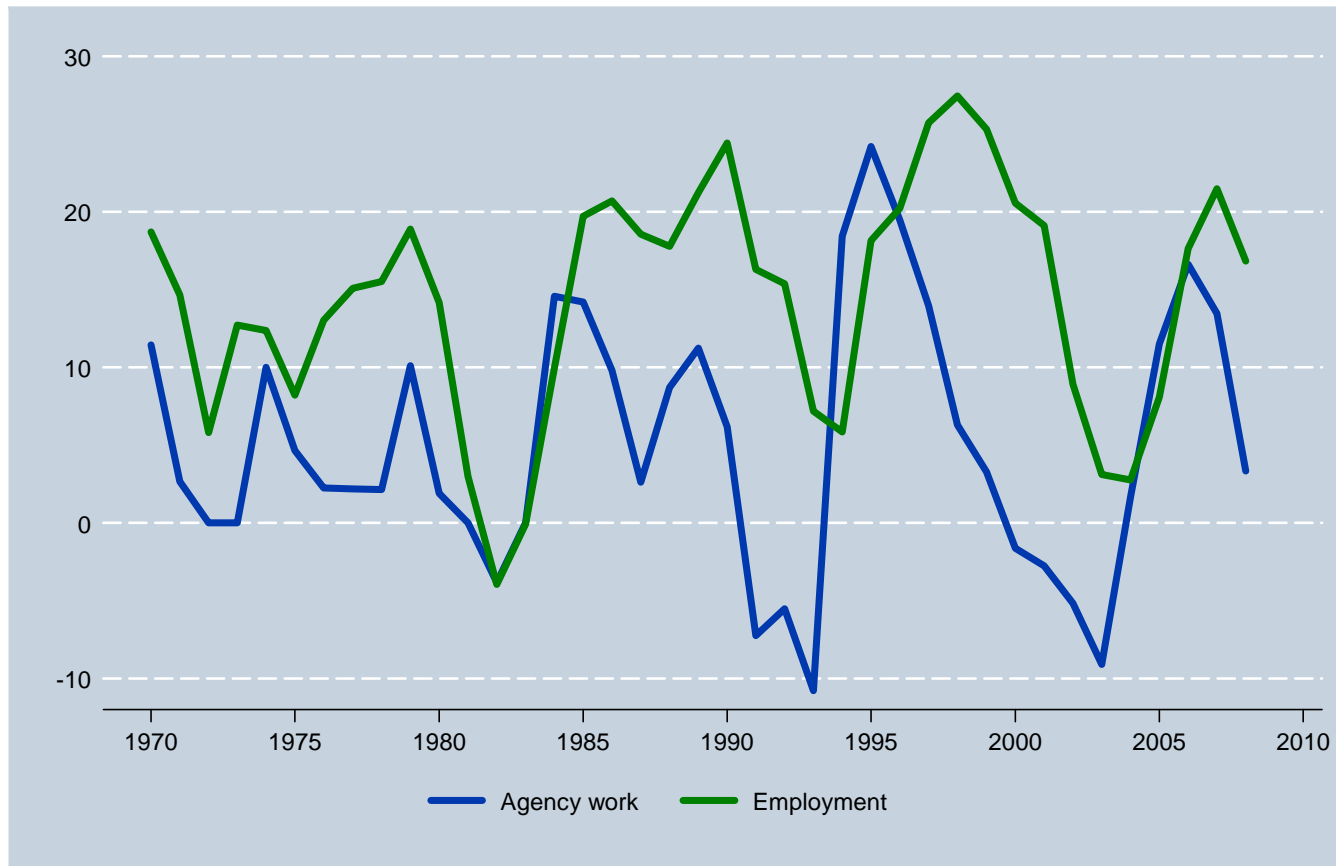


Source: own calculations, based on ABU & CBS

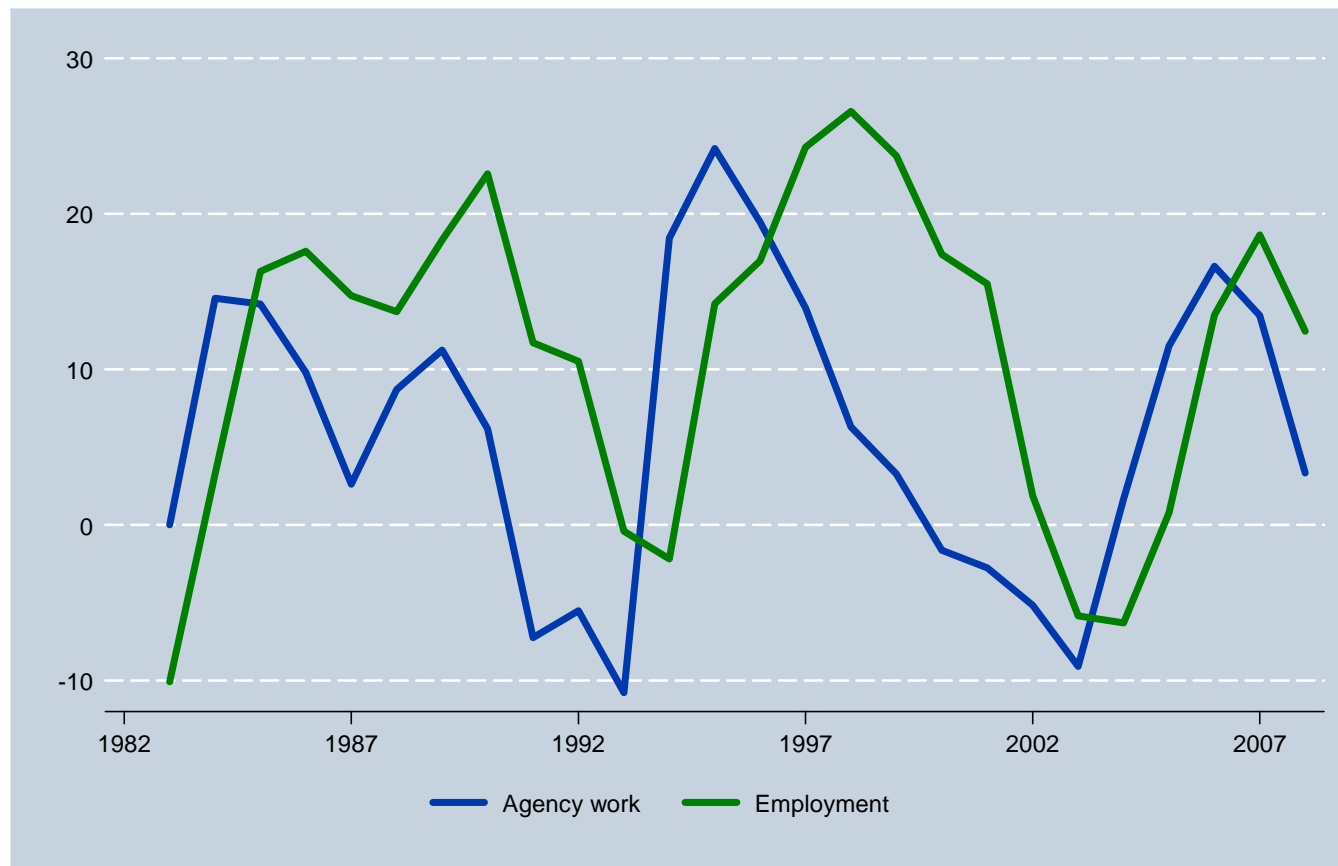
## Agency work & GDP



## Agency work & employment



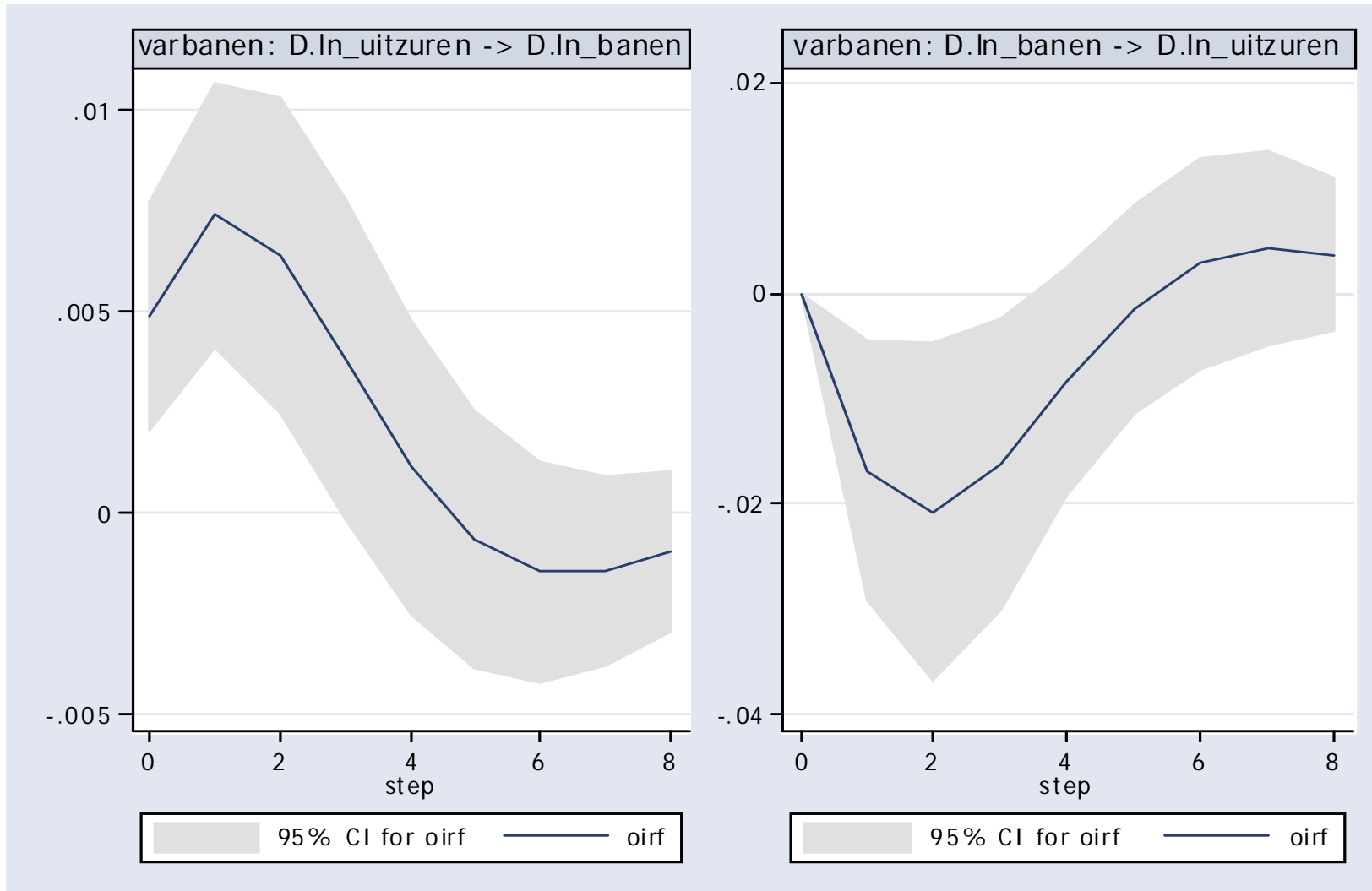
## Agency work & employment after 1982



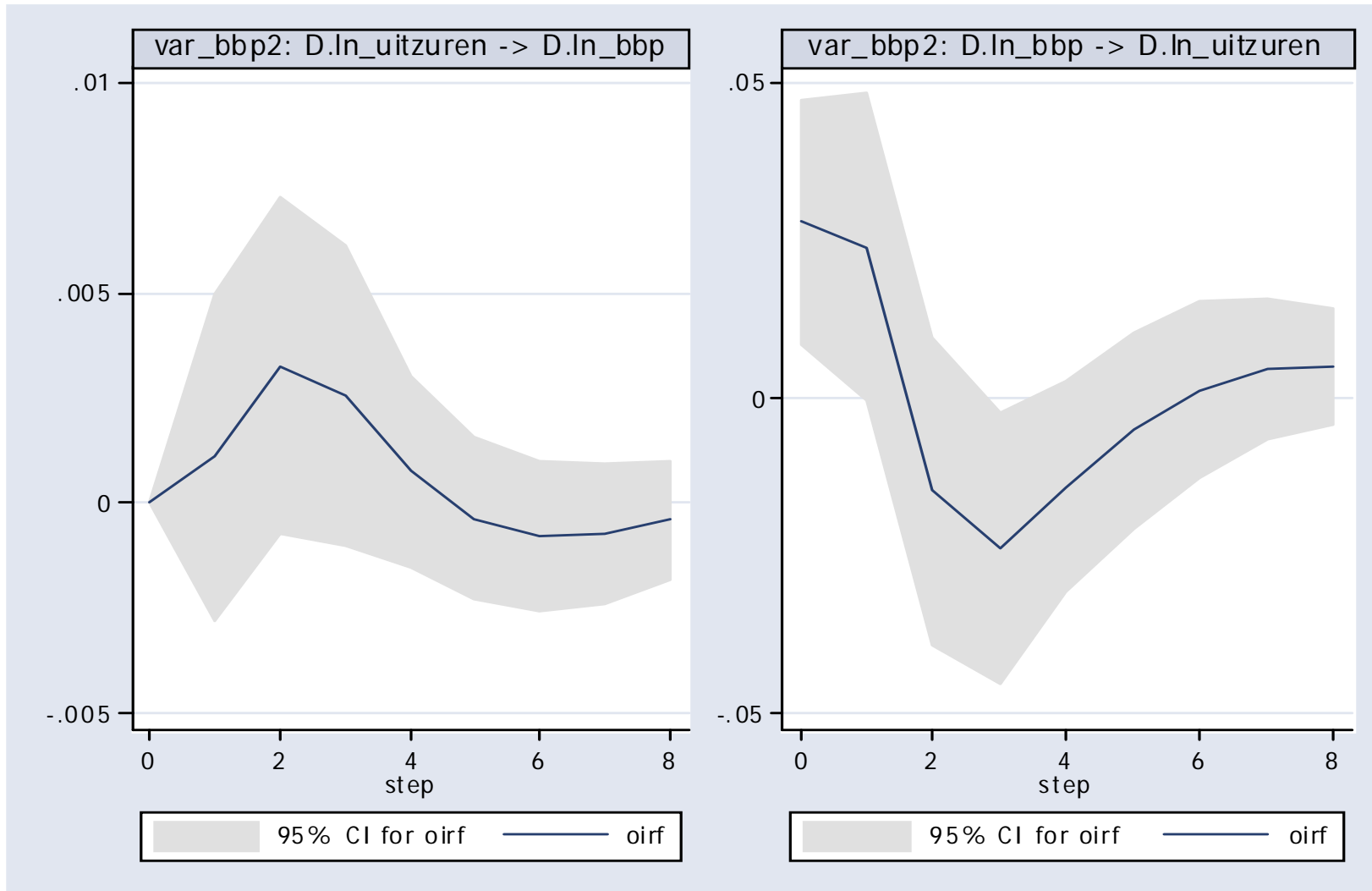
## Time series analysis

- ordinary analysis (OLS) is not valid
- only relations, no causality
- agency work  $\leftarrow \rightarrow$  GDP
- agency work  $\leftarrow \rightarrow$  employment

# Impulse-response employment



# Impulse-response GDP



## Statistical results

- **Extra growth agency work:**
  - extra growth employment (0-2 years)
- **Extra growth employment:**
  - extra growth agency work, delayed (1-3 years)
- **Extra growth GDP:**
  - firstly positive impulse on agency work (0-1 year)
  - later negative impulse on agency work (2-3 years)
  - reversed relation also, but not significant enough

## Summary

- **Some empirical evidence NL:**
  - relation TAW → employment established
  - relation TAW → GDP yes, but reverse..
- **But, time-series statistics not an ideal tool**
  - relatively short period
  - many breaks (statistical & institutional)
  - thus high error bands,
  - not easy to prove significance
- **Theoretical model seems to make sense, for NL**
- **Common sense not so bad, after all...**