



Conditions for institutional experimentation and innovation

Comparing the development of TAW in
the Netherlands and Sweden

Hugo van Driel & Bas Koene
Rotterdam School of Management, the Netherlands

Ola Bergström & Lars Walter
School of Business, Economics and Law, Göteborg University, Sweden

Contact: bkoene@rsm.nl

Purpose of the study

- Compare development of temporary agency work in The Netherlands and Sweden
 - Different development over time
 - Different enactment of temporary agency work
- Relatively little attention for fuzzy process of experimentation & learning at heart of process of institutional entrepreneurship
 - Investigate how conditions for institutional experimentation and innovation affect the substance of institutional change
- Institutional creation / innovation: inclusion of temporary agency work in national employment system

Societal embedding temporary agency work

Two Cases

Netherlands

- **Start early 1960s**
 - No appropriate best practice
- **Long period of contestation (1965-1999)**
 - Legitimation, but strict industry regulation
 - debate nature, dynamics, desirability TAW
- **Legalization TAW different from regular open-ended contract**
 - Temporary work through Flexibility and Security Act (1999)
 - Temporary employment relationship in employment law, different from open-ended contract



Sweden

- **Starts early 1990s**
 - Clear international best practice industry
- **Brief period of contestation (1991-1994)**
 - Restrictions on use, deregulation in 1994
 - Regulatory steps in 1994 (coll agr); 1996 (unempl ben); 1997 (coll agr)
- **TAW open-ended contract with agency, no employment innovation?**
 - Regulation through collective agreements (1994 / 1997)
 - TWAs business model substantively adapted

Institutional experimentation

- Preinstitutionalization – ‘structure created and practices adopted driven by instrumental considerations.’ (Tolbert & Zucker, 1995)
- Deinstitutionalization – ‘new ideas disrupt status quo
Preinstitutionalization – ‘seeking technically viable solutions to locally perceived problems’ (Greenwood et al. 2002)
- Pre-theoretical praxis – to deal with incommensurability
‘theorization only triggered when practical know-how of everyday life no longer suffices.’ Experience needed to fuel a process of theorization (Scherer & Steinmann, 1999)
- Agentic behavior past / present temporal orientation: ‘in response to emerging demands, dilemma’s, and ambiguities of presently evolving situations (Emirbayer & Mische, 1998)
- **What are conditions that sustain the process of experimentation?**

Conditions institutional experimentation

- Traditionally: emphasize vulnerability of project at the time
- Dover and Lawrence (2007) – institutional immunity
social movement context: explicit acceptance “assumptions & norms considered irrelevant/ wrong, unnecessary, costly, counterproductive.”
- Suchman 1995 – pragmatic legitimacy based on “self-interested calculations of most immediate audiences”

How explain differences in development NL and Sweden?

- How do differences in the process of institutional experimentation arise and affect eventual outcomes of institutional experimentation?

Institutional innovation studied

- The establishment of temporary agency work in the Netherlands and Sweden
- major challenges for the social institutions and social structures governing the labour markets in both countries
- evolving economic and market pressures had to be connected to national conceptions of acceptable work practices

Method

- Historical description of development of TAW in Sweden and the Netherlands
- Secondary material, interviews stakeholders in the process
- Two research teams, NL and Sweden

Institutional experimentation:

- Regulation of bare minimum, through industry restrictions
 - restrictions on use, collective agreements regulation employment conditions
- Regulation boundary conditions, not nature of agency work itself
- Offering leeway for experimentation (not illegal anymore)
 - NL licenses (1965 – 1998);
 - Sw restrictions on use (1991 – 1994)

Conditions institutional experimentation

four important differences

1. Insignificant and non-threatening

- NL: downplaying importance, regulation only indirect (regulated in slipstream of employee leasing companies) and partial
- Sw: never insignificant: explicitly forbidden, equated with placement, forbidden by ILO, regulatory discussion directly focused on TWA industry

2. Start out as unknown

- NL: continuing debate about dynamics and essence of agency work
- Sw: clear identification of TWA as unwanted 'American' model / foreign 'best practice'

3. Difficult to connect to existing institutional frameworks

- NL: high employment security, TAW provided needed flexibility, but...
- Sw: flexibility oriented business model never accepted

4. Maintaining space through partial legitimation

- NL: industry regulation strict and explicit, but also partial and thus negotiable and adaptable conditions
- Sw: At once generalized regulation of TWA industry

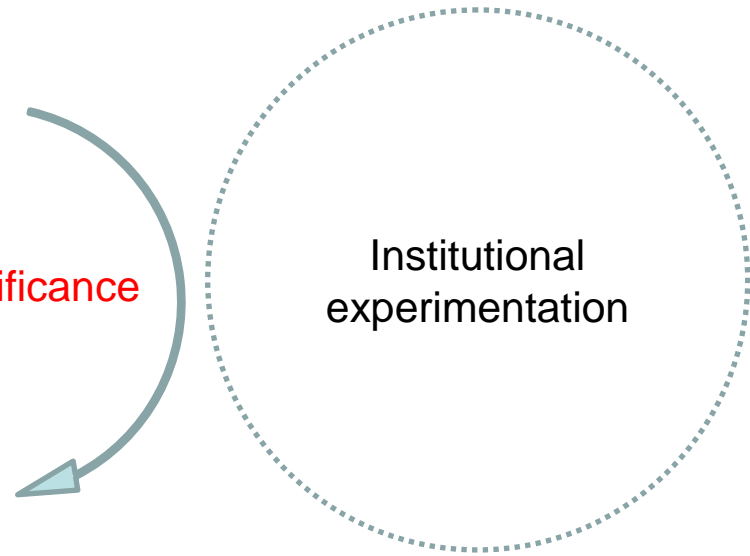
Conditions institutional experimentation

four important differences (1)

Insignificant and nonthreatening

- NL: downplaying importance, regulation only indirect (regulated in slipstream of employee leasing companies) and partial
- Sw: never insignificant: explicitly forbidden, equated with placement, forbidden by ILO, regulatory discussion directly focused on TWA industry

Insignificance

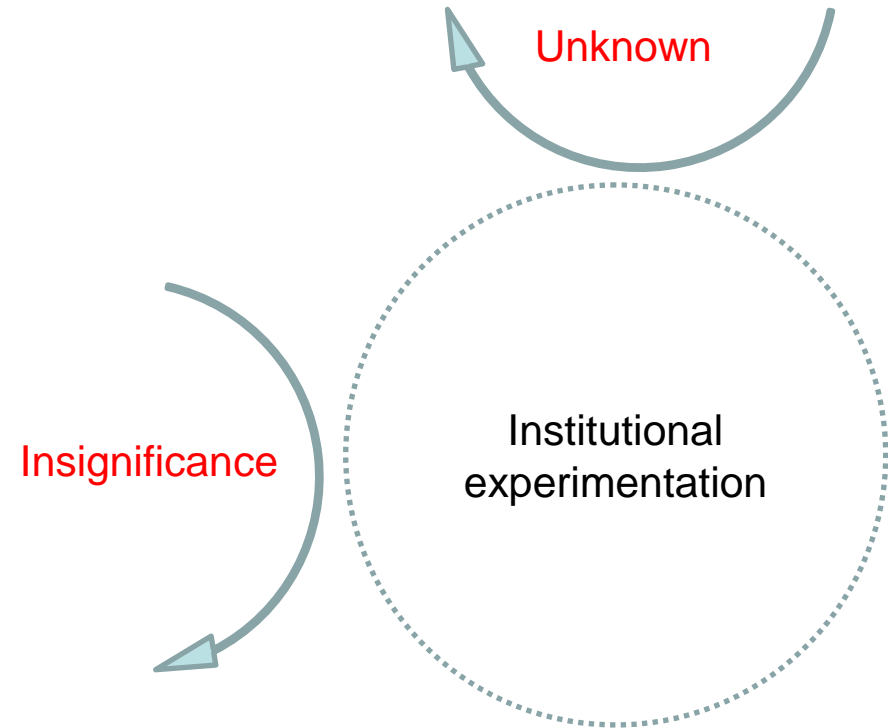


Conditions institutional experimentation

four important differences (2)

Start out as unknown

- NL: continuing debate about dynamics and essence of agency work
- Sw: clear identification of TWA as unwanted 'American' model. clear examples of foreign 'best practice'

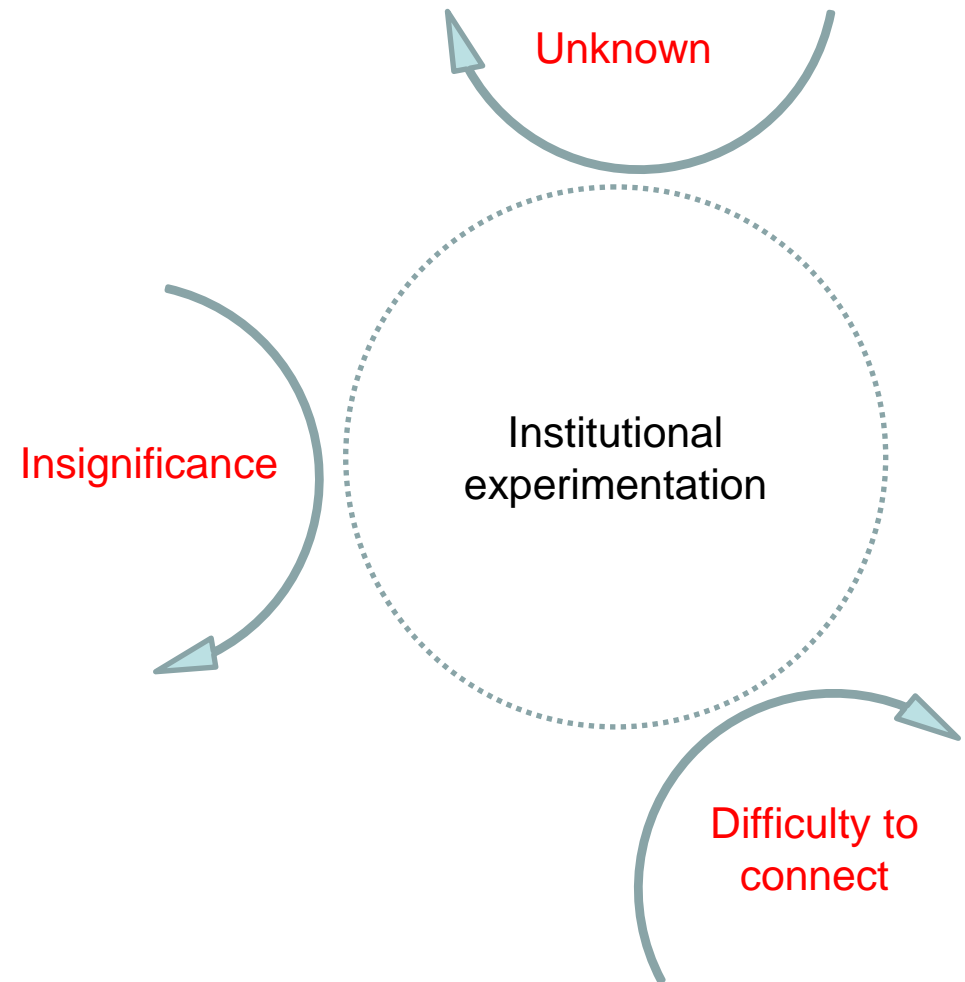


Conditions institutional experimentation

four important differences (3)

Difficult to connect to existing institutional frameworks

- NL: high employment security, TAW provided needed flexibility, but...
- Sw: flexibility oriented business model never accepted

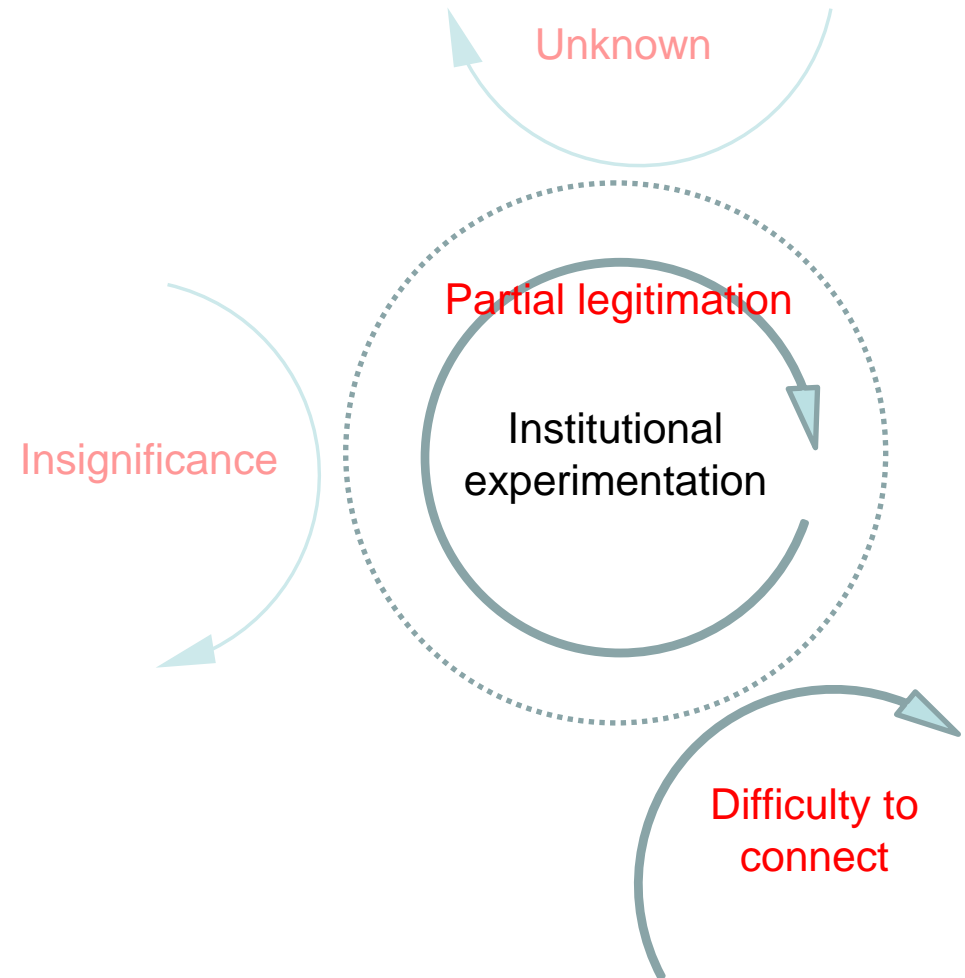


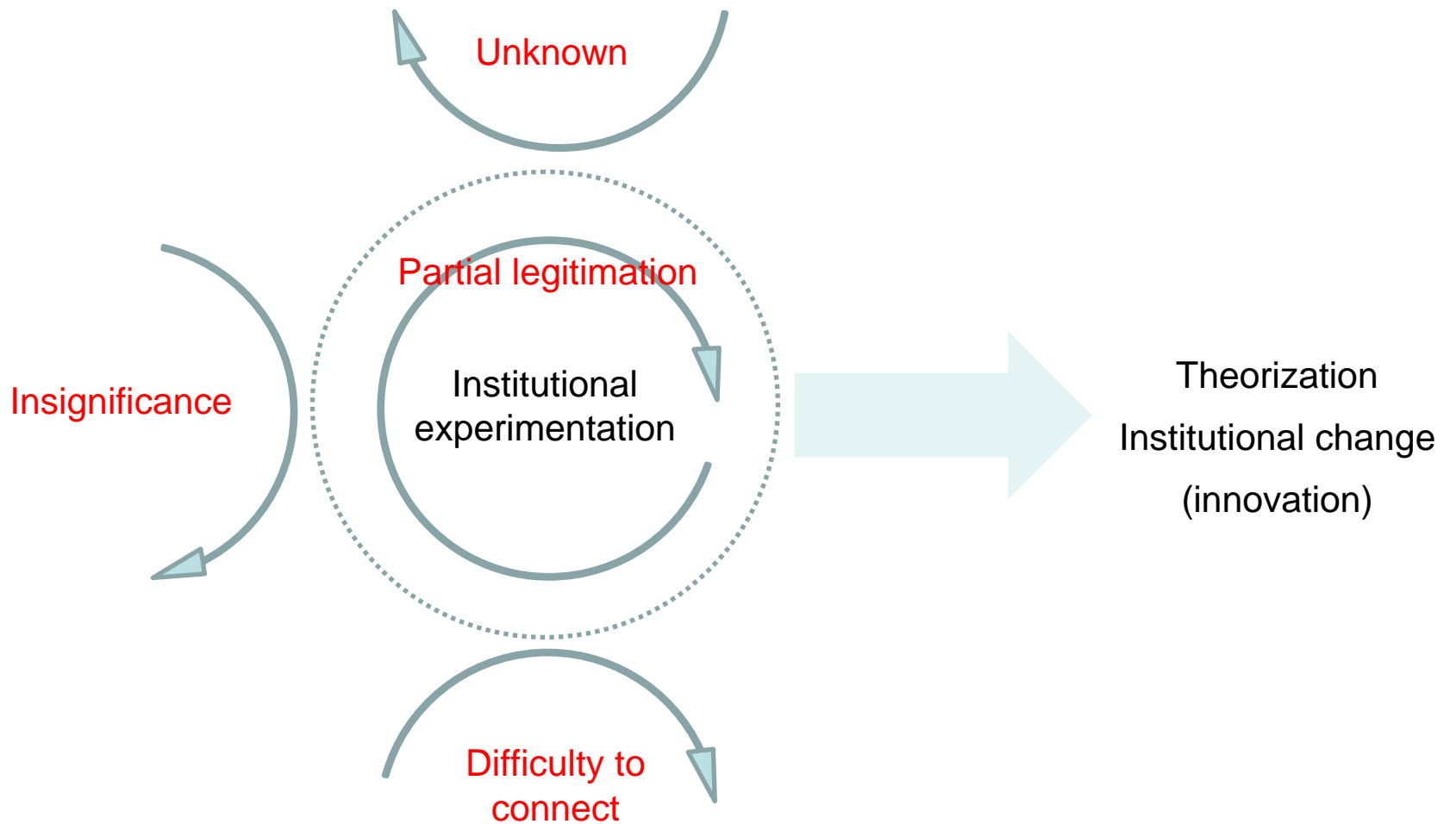
Conditions institutional experimentation

four important differences (4)

Maintaining space through partial legitimation

- NL: industry regulation strict and explicit, but also partial and thus negotiable and adaptable conditions
- Sw: At once generalized regulation of TWA industry





Different outcomes Institutional Experimentation

TAW in comparison to traditional open-ended employment

- NL very different employment relationship
 - Basic relationship ‘employment at will’
 - Rights grow with employment history to similar to open-ended
- Sw very similar employment relationship
 - Basic relationship open-ended with agency
 - (but different TWA business model?)

Conclusion

Institutional experimentation is made possible when

- Consequences of the process are seen as insignificant
 - Do not trigger 'special theoretical considerations / reflections'
- Economic and social pressures create zone institutional tension where unequivocal anchoring points for future policy are lacking
 - Due to unknownness of practice at hand
 - Difficulty to connect new practices to existing institutional framework
- Sufficient attention is paid to containing and controlling the experimental space
 - Establishing partial legitimation, making experimental space sustainable
 - Without regulating essence of the subject under investigation

Greater discretionary space / duration of experimentation leads to innovation more different from old institutional status quo

Further research

- Establishment and development of industry in different contexts
 - Further investigate conditions affecting outcomes of process of creation, experimentation and learning that drive development of a sector
- Innovative possibilities for the industry
 - How do local contexts trigger innovation of, for example, business model?
 - Change in business model Sweden restriction or innovation?
 - Emergence of Alternative Staffing agencies in US?