

What stands behind the growth of temporary agency work (TAW) in Germany?

Interdisciplinary conference:

The role of flexible employment and employment intermediaries in cushioning the business cycle: what insights can research contribute?

Brussels, 26/27 November 2009

Dr. Claudia Weinkopf

Head of Research Department "Flexibility and Security" (FLEX) and Deputy Director of IAQ

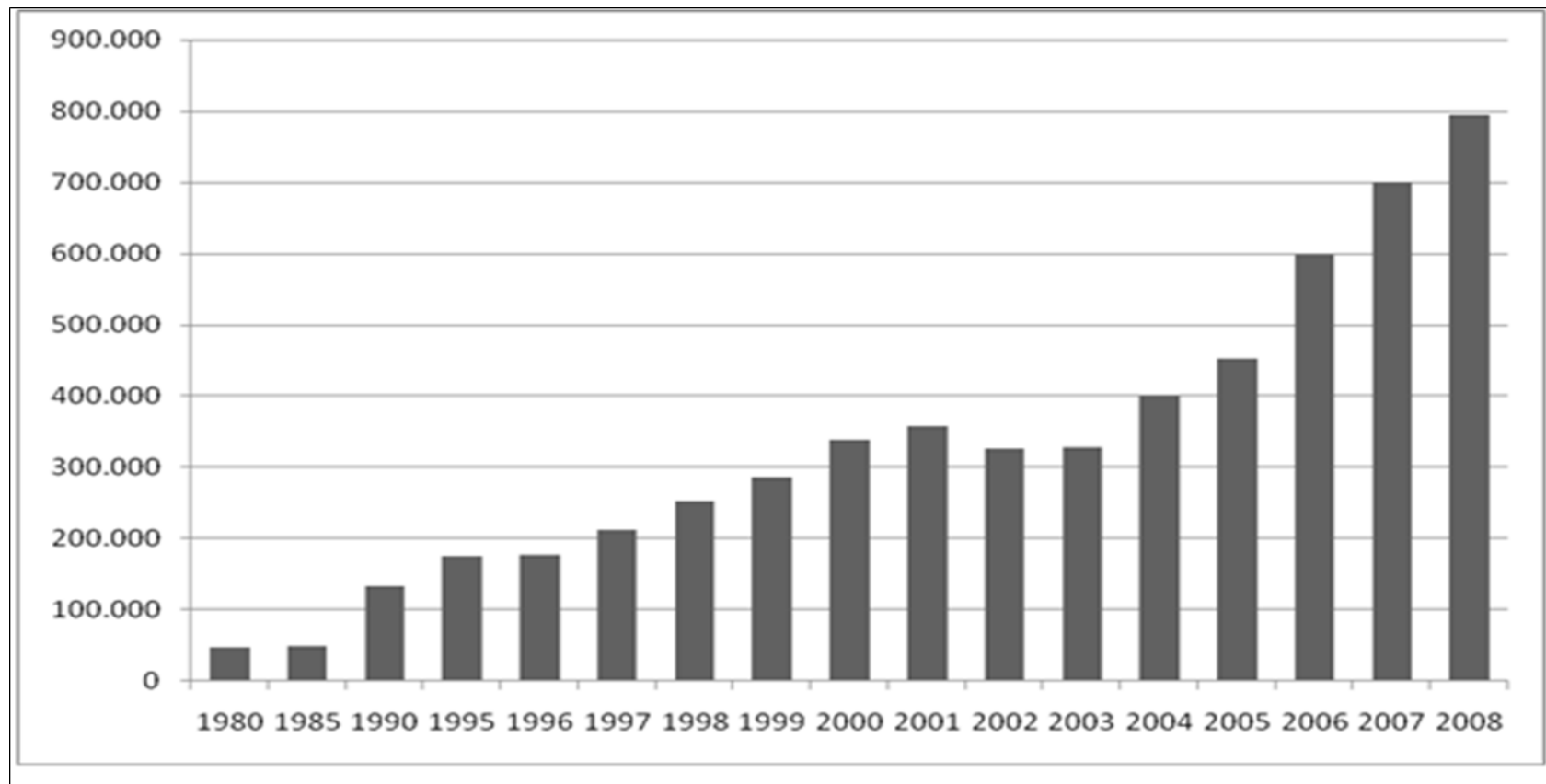
Outline of my paper (work in progress)

- **Exploring the drivers of the outstanding growth of TAW in recent years**
 - based on an analysis of the results of various recent studies and own research on the increase of low-wage work in Germany
- **Three main drivers (besides positive economic trends until August 2008)**
 - deregulation since 2003
 - high pay differentials
 - changing patterns of user companies strategies (towards “strategic” use - more or less permanent)
- **“Imbalance” of flexibility and security**

To start with some facts and figures

- **Share of temps in total employment: 2.6% (2008)**
 - Compared to 1.1% in 2003
 - number of temp agency workers rose from 327,331 in 2003 to 823,101 in August 2008 (peak)
 - afterwards sharp decline but most likely only an “intermediate episode”
- **High fluctuation**
 - In the first half of 2008: 568,000 new employment contracts and 508,000 terminated contracts
 - 53% of terminated employment contracts with temps did not last more than three months, 11% even less than one week
 - Average tenure of other temps is estimated at about seven months

Number of temps (1980 – 2008; end of June)



1980-1990 western Germany only

Source: Bundesagentur für Arbeit

Regulative framework

issue	Former TWA-regulation	Regulation since 2003
status of employees	regularly permanent contracts; "synchronisation ban"	no TWA-specific restrictions
assignment contracts	< 24 months; extension after 3 months waiting period	Almost no restrictions
excluded sectors	Construction industry	Relaxation under certain conditions
pay	Almost no regulation	Equal treatment and pay (or collective agreement)

New regulation of pay

- **Hardly any rules for pay before 2003**
 - exception (since 2002): equal pay for temps staying for more than 12 month at the same user firm
 - very few (company-related) collective agreements (and no statutory minimum wage in Germany either!)
- **Since then**
 - *theoretically*: comprehensive deregulations compensated by “equal pay” and “equal treatment”
 - *in practise*: deprivation of these principles by the conclusion of various collective agreements for the TWA-sector

Collective agreements in the TWA-sector

- **First collective agreement concluded very quickly in early 2003 by a small Christian trade union** (with very low pay levels)
- **High pressure on DGB-trade unions to conclude collective agreements**
 - Providing at least slightly better conditions (bonus schemes, working time, paid leave and annual bonuses)
- **Pay levels are quite poor in all agreements – especially for lower wage scales**
 - Entry levels are currently at around 7 € or a bit more (and even lower in eastern Germany and in company-based agreements)
 - far below the low pay threshold (2/3 of the national median = 9.13 € in 2007)

Pay rates for low-skilled workers

Collective agreement	Monthly FT-wage (in €)	Difference to metal industry wage (in %)
Metal industry NRW	1744.93	
IGZ-DGB	1139.04	-34.72
BZA-DGB	1119.32	-35.85
AMP-CGZP	1093.54	-37.33
AMP-CGZP (first six months)	990.41	-43.24

Almost the same differentials for skilled workers
(between 28.84 and 42.81%)

Source: Presentation of Werner Stolz, CEO of the employer association IGZ, in Gelsenkirchen on 19 November 2009

Wages of temps

- **According to an recent analysis of the Federal Statistical Office** (Statistisches Bundesamt 2009)
 - the **average hourly wage** of temps in 2007 was **9.71 €** (compared to 18.04 € for permanent full-time employees in all sectors)
 - In 2006, more than two thirds (**67.2%**) of all temps were **low-paid** (hourly wages below two thirds of the overall median wage – 9.85 €)
- **About one of eight temps does not earn enough to cover the household-related minimum need and is entitled to receive additional transfers** (Hartz IV)

Changes in TAW-usage on company level (a)

- **Sharp increase is not primarily due to a rising number of TAW-users**
 - still only 3%, but up to 45% in companies with 250 or more employees (Bellmann/Kühl 2007)
- **More important: intensified usage by large companies with traditionally high numbers of temps**
 - Share of „heavy users“ with more than 20% temps among their total staff had been increasing from 33% in 2002 to 47% in 2006 (Bellmann/Kühl 2007)
 - The union IG Metall identified several large or medium-sized metal companies with proportions of **30% to 60% temps** in 2007

Changes in TAW-usage on company level (b)

- **Qualitative company case studies shed some light into the backgrounds and consequences of intensified usage**
- **Holst/Nachtwey/Dörre (2009) describe a trend towards a “strategic usage of TAW” – i.e. a more or less permanent use that**
 - goes far beyond coping with fluctuations in demand or temporary absence of regular staff
 - displays a key element of overall management strategies in order to ensure high profitability
 - exerts pressure on core workers and their reliance on workplace safety because the segmentation between temps and core employees has become less clear-cut

Changes in TAW-usage on company level (c)

- **Another particular trend: more and more companies establish their own TAW-departments**
 - shifting staff to TAW-units in order to cut wages and other entitlements by using a TAW-collective agreement
 - in almost all industries; even in public or charity companies and organizations
- **Official data on the extent is not yet available but a survey of works councils (WSI-Betriebsrätebefragung) indicates**
 - that in 2007, **7% of the involved companies** had established such an internal temporary agency unit

Summary and conclusions (a)

- **Intended compensation of deregulation by equal pay and treatment has not come into place**
 - Due to the opening clause for collective agreements
- **Competition of unions (and employer associations) has led to low pay-rates in collective agreements instead of “proper conditions”**
 - Far below collectively agreed wages in manufacturing sectors with high use of temps
- **Abolishing of the limitations on assignments has facilitated the establishment of internal TAW-units**

Summary and conclusions (b)

- **Even the major employer associations (at least two of three) complain about “wage dumping” in the TAW-sector**
- **In 2008, together with the DGB-unions they demanded for generally binding pay standards**
 - through the “Law on Posted Workers” (Arbeitnehmer-Entsendegesetz)
 - in order to tackle wage-dumping and illegal or at least “unfair” competition by “Christian” collective agreements and by providers from Eastern Europe

Summary and conclusions (c)

- **The former government failed in agreeing upon an acceptance of that application**
 - Mainly because it would have replaced the third sectoral collective agreement concluded with the Christian union
- **Now, it is rather unlikely that the new government elected in September 2009 will implement the requested minimum standards**
 - as particularly the FDP is not in favour of minimum standards at all
- **Whether the EU-directive on temporary agency work will improve the wages for German temps remains questionable**
 - By now, it is frequently assumed that there won't be a need for an adjustment at all

Contact and publications

E-Mail: claudia.weinkopf@uni-due.de

IAQ-Homepage: <http://www.iaq.uni-due.de> (with many downloads)

Vanselow, Achim / Weinkopf, Claudia (2009): Zeitarbeit in europäischen Ländern – Lehren für Deutschland? HBS-Arbeitspapier 182. Düsseldorf.

Weinkopf, Claudia / Vanselow, Achim (2008): (Fehl-)Entwicklungen in der Zeitarbeit? Expertise für die Friedrich-Ebert-Stiftung. Bonn.

Weinkopf, Claudia (2007): Zeitarbeit setzt Löhne und Arbeitsbedingungen unter Druck. Der Kommentar. In: Arbeitsrecht im Betrieb 7: 377.

Weinkopf, Claudia (2006a): A changing role for temporary agency work in the German employment model? In: International Employment Relations Review 1: 77-94.

Weinkopf, Claudia (2006b): Mindestbedingungen für die Zeitarbeitsbranche? Expertise im Auftrag des Interessenverbandes Deutscher