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## How Does Temporary Agency Work Impact German Agency Workers?

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## **ABSTRACT**

### **How Does Temporary Agency Work Impact German Agency Workers?**

The enormous speed of change in the working world is associated with greater job insecurity. As a dynamic external flexibilization instrument, temporary agency work is characterized by high labor turnover rates. As a result, agency workers might perceive more job insecurity than permanent staff. This paper surveys German empirical studies on outcome variables such as job satisfaction, commitment, health, employability, social participation and effects on personal life for agency workers. It is enriched by practical experience gathered at Randstad, Germany's leading staffing firm, and also provides a summary of recent research on job stability for agency workers.

JEL Classification: I2, J2, J4

Keywords: temporary agency work, staffing industry, job satisfaction, commitment, employability

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## 1 Introduction

Flexible forms of employment have become ever-more important in Germany over the past ten years; the working population has risen to nearly 42 million while unemployment has fallen to about 3 million, and structural unemployment has begun to decrease for the first time in decades. The economic and financial crisis of 2008–9, which hit the export-nation Germany especially hard, causing a five-percent drop in GDP, scarcely left its mark on the labor market. Foreign observers marveled at the robustness of the German labor market, and were amazed at Germany's successful institutional mix: despite maintaining a high level of dismissal protection when compared to other nations, the country was able to deal with the crisis thanks to three features of its labor market: (1) internal flexibility within firms (i.e. collective labor agreements to adjust working hours, i.e. with working-time accounts); (2) external flexibilization instruments (legal provisions for part-time work, "minijobs,"<sup>1</sup> fixed-term employment contracts and temporary agency work); and (3) the labor market policy tool of providing subsidies for short-time work (*Kurzarbeitergeld*).

Yet Germany's recent outstanding track record in labor market policy has certainly come at a price. Virtually every person in the working population desires a permanent job with no job insecurity. According to the 2010 European Labor Force Survey, for example, 97% of fixed-term workers would prefer a permanent position (see Achatz et al. 2010, p. 166). However, when they consider the situation rationally, especially in the wake of the economic and financial crisis, most people clearly understand that even Germany's globally competitive *Mittelstand* and large corporations must be able to respond to fluctuations in demand through workforce adjustments – otherwise they would disappear from the marketplace.

Nevertheless, in academic and public discussion concerning temporary employment, the most frequent argumentative frame is to compare the idealized wish for a permanent position with less desirable – so-called atypical – employment relationships (see Allmendinger et al. 2013, Eichhorst & Tobsch 2013, Walwei 2013). "Normal" employment is generally understood in Germany as open-ended, full-time employment subject to social security contributions, whereas atypical employment basically encompasses part-time jobs, minijobs, fixed-term employment and temporary agency work. When compared to normal employment relationships, atypical employment relationships generally come off worse with respect to pay, duration of employment and opportunities for further training, to name just a few measures of comparison.

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<sup>1</sup> "Minijobs" are marginal forms of employment not subject to social security contributions provided they do not pay more than 450 euros per month.

However, a number of implicit assumptions make this argumentative frame problematic. First and most important, it is assumed that people actually have a choice between a normal job and atypical employment. At least for temporary agency work, this is frequently not the case, because for years, about two thirds of temporary agency workers have come directly from unemployment or non-employment – for the sake of comparison, then, their only real alternative would be continuing to remain unemployed or non-employed (see Federal Labor Agency 2013a). Second, these comparisons typically assume an equivalency between “normal” employment relationships at large and mid-sized firms covered by the German Protection Against Dismissal Act and normal employment relationships at small companies with fewer than ten employees, which are not covered under this act. In fact, about 80 percent of German companies are small companies (see Achatz et al. 2012, p. 168). The implication that workers in atypical employment relationships are “missing out” on the protection granted to the rest of the workforce is this only true in a very limited sense, and quite misleading. Third, it is assumed that the staffing industry does not contain long-term employment relationships subject to social security contributions and full dismissal protections. Actually, a significant, if cyclically fluctuating, share of temporary agency employment relationships are covered by the social security system (especially when it comes to highly qualified employees), are not fixed-term, and fall within the provisions of the German Protection Against Dismissal Act. Fourth, it is assumed that all persons seeking employment wish to be employed full time. The fact that part-time work and minijobs are extremely sought after speaks against this assumption, even if surveys do indicate that a significant portion of part-time employees and minijob holders are currently working fewer hours than they would prefer.

In light of the above, it should come as little surprise that flexible employment arrangements, especially temporary agency work, are often discussed in terms of a “curse or blessing” (see Jahn et al. 2012, Möller 2012, Kirbach 2013). The “blessings” of temporary agency work are largely beyond debate: it has enabled many previously unemployed individuals to enter the labor market, and temporary agency work is consistently rated as preferable to remaining unemployed (see also Council of Economic Experts 2011 and Achatz et al. 2012). However, the “curse” is also hard to ignore: as a whole, temporary agency employment provides lower pay, shorter duration of employment, and a greater risk of becoming unemployed, along with fewer opportunities for advanced job training than normal employment relationships. Nevertheless, it is the view of almost all political parties and unions that temporary agency work is not about to go away, and as a result, legislators, employers and unions are continuously striving to improve the German temporary agency work model in order to assure that the blessing consistently outweighs the curse.

Meanwhile, major changes are yet to come in the working world. Nearly two decades of broad-scale internet availability and high-performance home computers have already brought about great change. Global availability of the internet on mobile devices will change the world of work to an extent and at a pace that we can scarcely imagine from today's perspective (see Gratton 2011, Schmidt & Cohen 2013). In combination with demographic challenges (see Spermann 2013a), these technological changes will have a major impact on people's lives.

This paper will examine the consequences of change on the labor market using the example of temporary agency work, and discuss questions surrounding the goal of employment stability. In Chapter 2 we will first present temporary agency work as an external flexibilization instrument, before examining the impact of temporary agency work on individuals and presenting recent research findings about employment stability for agency workers. Chapter 4 will conclude the paper with a summary and outlook.

## **2 Temporary agency work as an external flexibilization instrument in Germany**

Temporary agency work has been legally regulated in Germany as an external flexibilization instrument since the 1972 Temporary Employment Act (AÜG). Temporary agency work is characterized by what is known as the "triangular relationship" that connects the temporary work agency, the agency worker and the user company. The agency workers (employees) are hired by the temporary work agency (the employers) – and are assigned to user companies (clients of the temporary work agencies). During the job assignment, the user companies are authorized to determine the tasks and duties of agency workers. In other words, there are discontinuities between the workplace relationship and employment relationship. Although temporary agency work arrangements are typically employment relationships subject to social security contributions, agency work continues to be described as "atypical" because of the staffing agency's limited ability to determine worker tasks and duties (see Spermann 2011).

Therefore, temporary agency work (*Zeitarbeit*) cannot be viewed as equivalent to fixed-term employment (*befristete Beschäftigung*), even though the terminology might suggest that it is, because fixed-term employment is not characterized by a triangular relationship of this kind. In fact, the contractual relationship between the staffing service and the agency worker may be either fixed-term or open-ended.

In terms of atypical employment in Germany, the four most common types of jobs, according to 2011 data from the Federal Statistical Office are: part-time work (more than 5 million), fixed-term employment (2.8 million), minijobs (2.7 million) and temporary agency work (775,000). Overall, atypical employment thus accounted for nearly eight million workers in 2011 – more than a quarter of all employed individuals (see Bellmann et al. 2013, Garz 2013, Walwei 2013).

The demand for agency workers is business-cycle dependent and also seasonably variable. For three decades, temporary agency work played a relatively minor role in the overall economy. At the end of the 1980s, it crossed the threshold of 100,000 agency workers for the first time, and just before the Hartz labor market reforms, there were about 300,000 temporary agency workers. In the last ten years, this number has tripled. While the economic and financial markets crisis did result in an abrupt approx. 30% decrease in temporary agency work in the space of only a few months, the demand resumed at almost the same rate, and by mid-2011, reached a new peak of greater than 900,000 agency workers. Since that time, the number has fluctuated between 800,000 and 900,000; at the end of December 2012, according to statistics from the Federal Labor Agency, there were 822,00 temporary agency workers, and in June 2013, the estimated number of agency workers was 847,000 (see Federal Labor Agency 2013a, Federal Employers' Association of Staffing Services 2013).

As a flexibilization instrument, temporary agency work has contributed to the first decline in long-term unemployment rates seen since 1970 (see Confederation of German Employers' Associations 2013). Against this backdrop, the German Council of Economic Experts has repeatedly emphasized the importance of temporary agency work to the labor market in its assessment of macroeconomic development. In its 2011/12 report, for example, the Council stated, "the considerable flexibilization potentials provided by temporary agency work justify an overall positive assessment for temporary agency employment" (Council of Economic Experts 2011, p. 297, own translation).

Following the economic and financial markets crisis – which left the German labor market relatively unscathed in comparison to other European nations – and against the backdrop of higher levels of employment and low unemployment rates, a public debate arose in Germany about the fairness of the unequal treatment of permanent and temporary agency workers. One response to this public debate was the signing of agreements for a series of broadly applicable sectoral minimum wages. Since 2012 no temporary agency worker in Western Germany has earned less than €8.19 per hour (in Eastern Germany: €7.50 per hour). In addition, collective bargaining partners



negotiated so-called “sector-specific surcharge collective labor agreements” that provided for step-wise increases in the wages of agency workers to bring them close to those earned by permanent staff. These agreements are a supplement to the collective labor agreements that exist between the staffing industry’s association and the Federation of German Trade Unions (DGB), first concluded around ten years ago (see Federal Employers’ Association of Staffing Services 2012a). The nine sector surcharge collective labor agreements that have been signed for five-year terms have a basic structure that is oriented to growth in worker productivity after job assignment to a user company: there is an initial period of 4-6 weeks without surcharge, followed by step-wise increases up to 50% once the agency worker has been assigned for a period of nine months to the same user company (see Federal Employers’ Association of Staffing Services 2012b and Spermann 2013b, c).

### **3. The human impact of changes in the working world – the example of agency work**

In recent years, a growing number of empirical studies in the social sciences have devoted attention to soft factors, such as job satisfaction, commitment, health, employability and social participation, as supplements to standard outcome variables such as employment, wages and unemployment. In the following, we will briefly summarize this literature, as amplified by our practical experiences at Randstad. Finally, we will present some more recent findings about sustainable employment in temporary agency workers.

#### **3.1 The impact of agency work on agency workers**

##### **(1) Job satisfaction and commitment**

Work or job satisfaction is an outcome variable that is the object of ever-increasing attention by labor economists. Job satisfaction in Germany has been trending downward in recent years (see Bohulskyy et al. 2011), largely as a consequence of job insecurity. Since temporary agency work is characterized by being very dynamic with a high turnover rate – the 2010 labor turnover rate for temporary agency work in Germany was 131% (see Achatz et al. 2012) – it is generally assumed that agency workers feel less secure and therefore more dissatisfied than permanent staff. There is, in fact, some descriptive evidence to support this assumption: based on a 2010 survey of 70 permanent and temporary agency workers at an industrial firm in the Greifswald region, Bornewasser (2011) concluded that job insecurity is much greater among agency workers than among permanent employees.

However, Sende & Vitera (2013, p. 293) stress that recent research no longer has demonstrated lower job satisfaction among agency workers in comparison to permanent employees. Temporary agency workers in higher skilled jobs who have made a conscious decision in favor of agency work are actually more satisfied than permanent employees.

Jahn (2013) published the first study on work satisfaction among German temporary agency workers based on an analysis of socioeconomic panel (SOEP) data between 2001 and 2008. The author distinguishes between objective job security and a perceived subjective sense of security of having work. She shows that compared to fixed-term and permanent employees, temporary agency workers did report relatively higher job insecurity, but they experienced relatively greater overall security of being employed. The author suggests two possible explanations for this discrepancy: permanent employees accumulate firm-specific human capital, which is essentially non-transferable to another firm. In addition, a permanent job with a firm whose existence is threatened by competition may be more risky than temporary agency work at an economically healthy firm. Nevertheless, on average, job satisfaction is lowest among German temporary agency workers, with one exception. A fixed-effect econometric analysis of the panel data came to the interesting conclusion that female agency workers are just as satisfied with their jobs as non fixed-term employees. One possible explanation is that better compatibility of family life and work may make up for other disadvantages of temporary agency employment. Jahn (2013) stressed that once an employee feels that his/her job is secure, the type of contractual relationship no longer plays a role, and thus, the critical factor is not the formal contractual relationship but the subjective experience of job insecurity.

Job insecurity also has an impact on the emotional attachment of the employee to the firm (what is termed "affective commitment"). Bornewasser addresses the heart of the matter: "No firm can work productively with de-emotionalized employees" (2012, p. 150). Work satisfaction and commitment are closely related, yet different concepts. The three-component model distinguishes between affective, normative and calculative commitment. Whereas affective commitment depends on an emotional attachment to the firm, normative commitment relates to a feeling of obligation to remain at the company, and calculative commitment to the disadvantages of terminating the work relationship. What matters most for demarcating commitment from work satisfaction is that employees may feel satisfied with their job, yet not feel emotionally attached to the firm (see Sende & Vitera 2013).

As part of “Flex4Work” and “FlexPro,” two projects financed by the Federal Ministry of Education and Research (BMBF), researchers conducted a number of employee surveys with agency workers and permanent employees on the topic of commitment, which we will summarize in the following section.

Because of the triangular relationship of agency work, temp workers have allegiances to the staffing service firm as well as the user company. A survey of 190 permanent and agency workers at a company in the metals and electrical industry showed that agency workers feel more commitment to the user company than to the staffing services company, but are relatively less emotionally attached than permanent employees. Their commitment is greater during the initial orientation phase (up to three months) and falls sharply as their hopes for absorption in the user company are disappointed. A survey questioned 155 participants of different qualification levels working at several different firms. The results clearly showed that agency workers placed in higher skilled jobs were more committed than unskilled workers. In a survey of 198 employees in an industrial firm, 43% of the agency workers showed above-average commitment compared to 63% of the permanent employees.<sup>2</sup> By contrast, only 51% of those permanent employees who worked alongside agency workers on their team showed above-average commitment. These figures suggest that when they work with agency workers, permanent employees feel somewhat interchangeable, and that this decreases their sense of commitment.

In light of these findings, the authors suggest eliminating discriminatory practices such as different work uniforms for permanent staff and agency workers. They advocate participation in social activities such as company outings and a validating style of management at user firms as ways to increase the commitment of temporary agency workers without lowering the commitment of the permanent employees (see Sendé & Vitera 2013).

## (2) Health and employability

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<sup>2</sup> The percentages refer to a subsample of 157 workers.

Another subject of research as part of the BMBF project "Flex4Work" examined the question of whether temporary agency work creates additional health burdens. The study by Lemanski (2012) is based on a survey of 24 permanent and agency workers conducted between June and November 2011. Chronic stress was measured along nine dimensions: work stress, social stress, pressure to succeed, work dissatisfaction, excessive demands at work, lack of social recognition, social tension, social isolation, and chronic worry. The surveys showed that permanent employees experience greater chronic stress than agency workers across all of the dimensions – a finding that the author found surprising, although given the small sample, the study cannot be regarded as representative. Her proposed explanation is as follows: for one thing, the comparison being made was between individuals in non-time limited agency jobs and those with permanent jobs; for another, permanent employees might be experiencing chronic stress related to the use of temporary agency workers. Hidden costs borne by the permanent employees might relate to the fact that agency workers tended to be responsible for simpler tasks, leaving the permanent employees burdened and possibly stressed by the qualitatively greater workload. In addition, the perception of interchangeability could lead to diminished social recognition, thereby contributing to chronic stress.

The study by Lemanski & Benkhail (2013) examined a larger sample: 56 permanent employees and 57 full-time temporary agency workers. By contrast to the previous study, the researchers limited the number of dimensions of chronic stress to only four: lack of social recognition, excessive demands, work stress and social stress. Job insecurity was also chosen as a potential influencing factor on the outcome variable of chronic stress. The study showed that for permanent employees, job insecurity played no significant part in their experience of chronic stress. However, deficient employability did lead to chronic stress, not only for agency workers but also for permanent employees.

Lemanski & Benkhail (2013) examined employability in terms of five dimensions: individual fitness, competence, learning aptitude and integration. They did not correct for potential selection bias resulting from endogenous variables such as health. As a result, the cause-effect relationship is not unambiguous, and the study is beset by a simultaneity problem: chronic stress (the cause) can impair health, which in turn diminishes employability (effect). However, the lack of employability (cause) can also lead to chronic stress (effect). Both directions of impact are plausible. Multiple regression analyses that fail to consider the endogeneity problem will thus lead to distorted results.

Absent or deficient competencies have a negative effect on employability. Hard skills and soft skills are of comparable importance. Temporary agency workers are disadvantaged in both their formal and informal advanced training (in institutions such as universities, further training institutions and on the job) (see Bellmann et al. 2013). Bouncken et al. (2012) examined significant factors affecting the willingness of staffing service companies to provide formal continuing education for agency workers in a survey of 290 German staffing service companies. They found that the longer the term of employment and the greater the qualification level of the agency worker, the greater the scope of continuing education provided by the staffing service. Similarly, higher agency worker costs for user companies and higher glue effects were also associated with increased amounts of formal further training for agency workers. By contrast, according to Bellmann et al. (2013), the disadvantages for agency workers compared to permanent staff were significantly lower in the area of informal further training (extra-institutional learning, for example, from friends or colleagues, or e-learning).

Finally, the employability of temporary agency workers depends on their integration in the work environment. Discriminatory measures, such as special work uniforms for temporary agency workers, are familiar practices. Improved integration management at user firms has been recommended as an approach for solving this problem in order to decrease potential stress for both permanent and temporary agency workers (Lemanski & Benkhail 2013).

### (3) Social participation and effects on personal life

Gundert & Hohendanner (2011) examined the subjective sense of participation by employment status using the PASS (Labour Market and Social Security) panel database for the period 2006 to 2008. They concluded that unemployed individuals felt the most excluded. Temporary agency workers constituted the least subjectively integrated group among employed individuals. Assuming that the most relevant comparative alternative was unemployment, "it was possible to give temporary forms of employment a positive rating as an alternative to unemployment, including in the realm of social integration. However, we lack solid empirical findings to back this up" (Gundert & Hohendanner 2011, p. 6).

Niehaus (2013) investigated the effects of agency work as a flexible form of employment on personal relationships and family life based on 13 qualitative problem-focused interviews with temporary agency workers between 21 and 35 years of age in Saxony and Thuringia in 2010–11. The most important finding from the survey was that agency workers with greater skill levels

rated temporary agency work as generally beneficial for their personal relationships, whereas less skilled workers rated agency work as disadvantageous for their personal relationships due to poor wages and lack of social recognition.

### **3.2 Hands-on experience at Randstad**

Two thirds of temporary agency workers come directly from unemployment or non-employment. The proportion of highly qualified temporary agency workers is very small. Although about half of agency workers have vocational training diplomas (see Federal Labor Agency 2013a, p. 16), the hands-on experience of staffing agencies shows that only looking at formal qualifications and what is written on application documents clouds our view of the complex reality of the working world.

On the one hand, in the absence of any work experience, a vocational training or academic diploma already has completely lost its value as early as four years post graduation, according to assessment criteria used by the Federal Labor Agency. Individuals with vocational training diploma or even a college degree who have not been able (e.g. because of health problems) or willing (e.g. due to a change in interest) to practice the occupation for which they were trained, or have been away from work for longer than four years (e.g. because they were taking care of their children), are regarded *de facto* as unskilled labor – at least in Germany, and from the point of view of most employers.

However, on the other hand, broken work histories with interrupted training and/or studies may often conceal talents that can come to maturity with appropriate help. Sometimes, these individuals have failed to graduate after many years of training or study due to examination anxiety or inability to master required sub-fields (e.g. mathematics). Finally, some candidates who seem ideal on paper with training certificates or diplomas may actually prove to have very limited employability due to poorly developed soft skills (e.g. conscientiousness).

Accordingly, temporary agency work is challenging for the staffing agencies – the challenges include selecting applicants, matching applicants with user firms, and providing support for agency workers during their job assignment. From regularly conducted internal company surveys of temporary agency workers at Randstad, we know that agency workers tend to be satisfied and committed if their client placement fits their profile and if they feel esteemed by the user firm and the staffing service. This is also the most effective way to prevent chronic stress.

In order to provide its clients with qualified personnel as well as increase the satisfaction of temporary agency workers with their placements, the Randstad Academy, in close collaboration with the national works council, has developed a comprehensive program of further training (see Spermann 2008, 2009).

Prequalification of applicants through multi-week qualification programs in coordination with client firms and in collaboration with training providers and the Federal Employment Agency has a major role in increasing the likelihood of a perfect match. Workshop offerings that train applicants in soft skills (e.g. dealing with those in charge) increase the chances that agency workers will be accepted at user companies. In addition, there is a wide range of e-learning courses available. Finally, "on-the-job" learning represents a best practices model for the informal acquisition of competencies in temporary agency work (see Bellmann et al. 2013, p. 52, Frick et al. 2013, p. 119). These programs enable temporary agency workers who have not completed vocational training or with outdated training to document and obtain certification for skills they have acquired over the course of their job placement. For a number of individuals, this program has even enabled agency workers to obtain partial or full occupational qualification (see Schröder & Spermann 2012 and Nies & Spermann 2013). This model is currently being further developed at the sectoral level – and hopefully will provide a systematic pathway to obtaining a vocational training diploma through an external examination.

In an ever-changing working world, solid training that matches the worker's interests plus ongoing formal as well as informal further training are key requirements for long-term employment and for maintaining earnings well above the minimum for subsistence. Employment is the best way to assure social participation, and employment that is adapted to a work/life balance makes it possible to have a satisfying working and personal life. Such arrangements are also possible for temporary agency workers. In Germany, the proportion of agency workers who wish to permanently continue temporary agency work is still very small. However, these committed temporary agency workers already have a special designation in France – they are called "professional temporary agency workers" (see Mattoug 2012).

### **3.3 New data on job stability for agency workers**

Can brief terms of employment, as are so typical in temporary agency work, lead to long-term job stability? In their study of the US labor market, Autor & Houseman (2010) answer this question with a clear “no” based on a comparison with workers who were hired directly. In Germany as well, the average duration of employment for agency workers tends to be brief: in 2012 it was 10.3 months. Almost half of the employment relationships end in fewer than three months, and in fact, nine percent last less than a week. This reflects the great dynamism of agency work in the form of a turnover rate that is far above average: in the second half of 2012, 481,000 new agency work relationships were initiated and 658,000 agency work relationships were terminated (see Federal Labor Agency 2013a). Temporary agency work provides employment opportunities for unemployed and non-employed individuals, but in view of such dynamics, is it really possible to imagine job stability for agency workers?

The sustainability of employment is typically measured by asking whether agency workers remain employed after completion of their temporary agency job. There is new data from the Federal Labor Agency about this question. A novel statistical analysis by the Federal Labor Agency (2013a, b), which for the first time integrated unemployment and employment statistics, came to the following conclusions: in 2011, about 404,000 individuals ended their unemployment status by accepting a job with social security contributions through a temporary staffing agency. Six months later, 73 percent of these 404,000 individuals were still employed in a job with social security contributions, and 12 months later, 61 percent of them still held such employment. The authors summarize the results of their study as follows: “All in all, our findings offer indications that incorporation of the unemployed into the employment system through agency work is more successful than might at first be assumed from the brief terms of employment documented in the temporary agency work statistics” (Federal Labor Agency 2013b, p. 16, own translation).

Baumgarten & Kvasnicka (2013) came to a similar conclusion based on the SIAB (Integrated Labour Market Biographies) database through 2008. Yet their analysis does confirm that only 70 percent of previously unemployed individuals are still employed after a month. This finding may be explained by the fact that in temporary agency work, many employment relationships are rapidly terminated for a great variety of reasons. After the first month, the proportion of individuals still employed remained more or less constant over the first two years after the employee began temporary agency work. At the two-year mark, almost 70% of these workers are still employed (within or outside the temporary agency work sector). The authors summarize: “Thus, the majority



of employees who have accepted temporary agency work having been previously unemployed have been able to end their unemployment over the longer term” (Baumgarten & Kvasnicka 2012, p. 20, own translation). The authors thereby confirm that, when examined over a two-year period, job entry through temporary agency work typically leads to sustainable employment.

However, it should be noted in relation to both of these analyses that they each depend on proportional observations over different points in time. The problem with this method is that it does not assure, for example, that seventy percent of all individuals have been continuously employed over the entire two-year period. Thus, one individual might have become unemployed after six months while another individual entered employment during the same period. The proportion would have remained unchanged in this instance. Future research studies will need to follow individual employees over a longer time span. The customary research design in international studies is to analyze sustainability over a five-year period after starting employment as a temporary agency worker (see Card & Hyslop 2005).

#### **4. Summary and Outlook**

Following deregulation of temporary agency work as part of the Hartz reforms, which allowed for divergence in pay between permanent staff and agency workers, the scope of temporary agency work tripled in Germany within ten years – from 300,000 to about 900,000 temporary agency workers among a total employed work force of nearly 42 million. Since deregulation, some two thirds of temporary agency workers have come directly from unemployment or non-employment, meaning they use temporary agency work as their point of entry to the labor market. More recent empirical evidence from the Federal Labor Agency confirms that temporary agency work can lead to sustainable employment – at the end of one year, 61 percent of all temporary agency workers remain employed.

The fairness debate in Germany culminated in a sectoral minimum wage for temporary agency work and in sector-specific surcharge collective labor agreements affecting the largest client sectors in the staffing industry. This helped to address concerns about excessively low wages, and implemented a productivity-based wage scale.

Nevertheless, the debate about temporary agency work remains substantially shaped by comparisons between atypical employment and normal employment. Compared to an open-ended contract subject to social security contributions in direct employment, temporary agency work typically falls short when measured by a broad range of assessment criteria (e.g. job satisfaction, commitment, social participation). However, when compared to unemployment, temporary agency work is clearly the better alternative. Yet even this point of view is anachronistic. Today, atypical employment relationships such as part-time jobs, minijobs and temporary agency work are also deliberately chosen by many individuals as their preferred form of work. From the perspective of labor market policy, what matters most is that people remain permanently employed and that they can continue to grow their incomes. There is no path in today's labor market that does not involve lifelong learning, especially given the backdrop of demographic change in Germany. This means that the temporary work sector has the potential to make even greater contributions in the future than it has to date.

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