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Stefano Consiglio
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Temporary Work Agencies in Italy Evolution and Impact on the Labour Market



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Temporary Work Agencies in Italy

Evolution and Impact on the Labour Market

 Springer

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*This book is dedicated to Mariarosaria and
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Chapter 1

Introduction

Abstract Currently the Italian labor market has undergone a restructuring process due to the relatively recent arrival of new forms of employment contract (compared to the rest of Europe), to the end to the public monopoly in employment policies and to the far-reaching changes in labor law. These are some of the factors that are changing the “rules of the game” in company-employee relations and have had a significant effect on the dynamics of the Italian temporary work agency (TWA) sector. In particular, two events had a crucial effect on ending the state’s monopoly over the labor market: Decree no. 276 of 2003, at least in terms of the regulations. This study is designed to aid understanding of the developmental dynamics of the sector and assess the role played in the labor market in Italy. The analysis helps to understand the dynamics and behavior of organizations viewed as well-established players conditioned by a legal, social and cultural context which, in its turn, is the result of the interaction between the actions implemented by individual players. The longitudinal research carried out in the sector of Italian TWAs is the result of six field studies undertaken over a fifteen years (2000; 2005; 2007; 2009; 2012, 2015/2016). The analyses from research in the field have enabled a processual reconstruction of phenomena and events that have taken place over a 30-year period (1986–2016), which corresponds to the process of preparation, creation and development of temporary work agencies.

Keywords Temporary work agencies • Italian labor market • Longitudinal research • Field study

1.1 Aim

In the European Labor market coexist several forms of employment. They differ in various aspects, such among others the length of assignment, the contractual arrangement and the access to social protection. These forms of employment are

both regulated at EU level and at national level. Currently the Italian labor market has undergone a restructuring process due to the relatively recent arrival of new forms of employment contract (compared to the rest of Europe), to the end to the public monopoly in employment policies and to the far-reaching changes in labor law. These are some of the factors that are changing the “rules of the game” in company-employee relations and have had a significant effect on the dynamics of the Italian temporary work agency (TWA) sector. In particular, two events had a crucial effect on ending the state’s monopoly over the labor market: Decree no. 276 of 2003, at least in terms of the regulations on private intermediaries, is part of a reform trend that began in 1997 when two pieces of legislation were passed that, firstly law no. 196/97 (the so-called Treu law) and secondly decree no. 469/97.

Besides the problematic aspects of the 2003 reform, the entry of private agencies into the labor market has undoubtedly had the advantage of helping to overcome the purely bureaucratic approach to matching the demand and supply of labor. It has led to the current situation in which employment agencies are key players in a broader strategy in line with the most recent stance of the ILO and the guidelines of the European Union regarding the modernization of employment services. This process has been helped by a productive phase of industrial relations which has managed to grasp the opportunities provided by the legislation, creating a highly efficient, modern bilateral system. This is confirmed by the fact that, since the introduction of temporary employment in Italy, the newly created agencies have gained a crucial role in the labor market, enabling thousands of firms and millions of workers to make use of them according to their respective needs and expectations and within a system of obligations and guarantees. Through interaction at a local level and uniform distribution throughout Italy, employment agencies have filled the gap left by inadequate public services, encouraging functional and geographic mobility of the workforce, and compensating for the marked regional imbalances of the entrepreneurial framework.

From this perspective, the success of employment agencies also depends on the efficient job matching and job placement services offered by agencies, allowing a large number of temporary workers to gain stable employment and, at the same time, enabling firms to grow in size and productivity by using an adequate and agreed tool that ensures flexibility (Consiglio and Moschera 2001a, b, c).

In Italy the institution of agency work in 1997 and the consequent creation of the new organizational field has led old and new actors of the labor market to redefine their own strategies and organizational choices in the light of the new scenario.

This study is designed to aid understanding of the developmental dynamics of the sector and assess the role played in the labor market in Italy. The analysis helps to understand the dynamics and behavior of organizations viewed as well-established players conditioned by a legal, social and cultural context which, in its turn, is the result of the interaction between the actions implemented by individual players (Consiglio et al. 2010, 2011; Moschera et al. 2011; Berni et al. 2012).

1.2 Research Methods

A longitudinal research approach was adopted to outline the dynamics of change. The opportunity to grasp the complexity of organizational processes and the evolving relations between players and context require a dynamic view of the phenomenon. The longitudinal and processual method consists in analyzing phenomena and processes through repeated observation of the same research units at pre-determined intervals. Although it is “costly” and complex, this methodology presents numerous advantages: it improves understanding of the effects of change over time, making it possible to assess the direction and intensity of relations between the variables in play; it enables a more accurate analysis of the interdependence of the variables within the processes of change; it highlights the variations in a specific unit of analysis, while also taking account of the dynamics of the context and the social relations that take place within it.

The longitudinal research carried out in the sector of Italian TWAs is the result of six field studies undertaken over a fifteen years (2000; 2005; 2007; 2009; 2012, 2015) (Consiglio and Moschera 2002, 2005, 2008, 2010). The field analysis enabled us to reconstruct the process and events that occurred in a 30-year period (1986–2016), which corresponds to the process of preparation, emergence and development of the temporary work agencies’ field (Table 1.1).

The research has used many different forms of qualitative and quantitative research tools. Interviews were carried out with key spokespeople, managers and owners of employment agencies, trade union leaders, heads of trade associations, and experts in the sector. Questionnaires were administered and semi-structured

Table 1.1 Summary of the empirical analysis

period	1986 - 1999	2000-2004	2005-2006	2007-2009	2010-2012	2013-2015
survey	2000	2005	2007	2009	2012	2015
<i>instruments of the empirical analysis</i>	examination of information material					
	studying of specialized press					
	40 interviews to experts, trade unionists, actors involved in lobbying, trade association executives, managers and owners of TWAs	33 interviews to experts, trade unionists, actors involved in lobbying, trade association executives, managers and owners of TWAs	32 interviews to experts, trade unionists, actors involved in lobbying, trade association executives, managers and owners of TWAs	22 interviews to experts, trade unionists, actors involved in lobbying, trade association executives, managers and owners of TWAs	20 interviews to experts, trade unionists, actors involved in lobbying, trade association executives, managers and owners of TWAs	22 interviews to experts, trade unionists, actors involved in lobbying, trade association executives, managers and owners of TWAs
	30 questionnaires dealing with quantitative features of TWAs and with management’s perceptions	40 questionnaires dealing with quantitative features of TWAs and with management’s perceptions	31 questionnaires dealing with quantitative features of TWAs and with management’s perceptions	36 questionnaires dealing with quantitative features of TWAs and with management’s perceptions	32 questionnaires dealing with quantitative features of TWAs and with management’s perceptions	31 questionnaires dealing with quantitative features of TWAs and with management’s perceptions
	analysis of reports and financial statements (1998-1999 - 2000) of all TWAs	analysis of reports and financial statements (from 2000 to 2003) of all TWAs	analysis of reports and financial statements (from 2004 to 2006) of all TWAs	analysis of reports and financial statements (from 2007 to 2009) of all TWAs	analysis of reports and financial statements (2010) of all TWAs	analysis of reports and financial statements (from 2013 to 2014) of all TWAs
	TWAs involved the surveying in terms of turnover, represent 80% of the market	TWAs involved the surveying in terms of turnover, represent 86% of the market	TWAs involved the surveying in terms of turnover, represent 77% of the market	TWAs involved the surveying in terms of turnover, represent 75% of the market	TWAs involved the surveying in terms of turnover, represent 75% of the market	TWAs involved the surveying in terms of turnover, represent 77% of the market

interviews were conducted with representatives of employment agencies. Simultaneously, numerous indirect sources were analyzed: the specialist press, informative material produced by the agencies, balance sheets, financial reports and planning documents of the agencies involved in the research. Analysis were carried out of balance sheets covering the years from 1998 to 2014 for the entire period observed.

The initial phase of reconstructing the period 1986–1997 was especially important and delicate: the events and dynamics were reconstructed with the aid of an analysis of the general and specialist press and, in particular, through 20 interviews with experts and interested stakeholders (trade unionists, players involved in lobbying activities, heads of trade associations, managers and owners of TWAs).

During this phase, the 2000 study analyzed 47 TWAs, which in terms of turnover, represented 80 % of the market (Consiglio and Moschera 2002). The second field study carried out in 2005 analyzed 41 TWAs, which in terms of turnover, represented a 86 % market share (Consiglio and Moschera 2005). The third study carried out in 2007 examined 31 TWAs, which in terms of turnover, represented 77 % of the market. In the study conducted in 2009, 36 TWAs took part in the research with a 75 % market share in terms of turnover (Consiglio and Moschera 2008). The fourth and the fifth studies carried out respectively in 2012 and 2015 examined 32 and 31 TWAs, which represented 77 and 75 % of the market. (Consiglio and Moschera 2010) (Tables 1.2, 1.3, 1.4, 1.5, 1.6 and 1.7).

In order to present the results of this longitudinal research, this book is organized as follows:

The first chapter analyses employment agencies, defining their main features and the scope of the research. In particular, the chapter contains an in-depth analysis of the literature on the subject, comparing the dominant approach and its criticisms

Table 1.2 Italian Temporary Work Agencies involved in the study (2000)

Ad Interim	Innovex Staff Services	Quandocorre Interinale
Adecco Italia	Interim 25 Italia	Quanta
Ali	Interitalia	Randstad Italia
Coserv Interim	Inwork Italia	Risorse
Cronos	J.O.B.—Just On Business	Sinterim
Easy Job	Kelly Services	Start Lavoro Temporaneo
Elettra Services	Lavoropiù	Synergie Italia
Ergon Line	Lavoro Temporaneo	Team Work
Etjca	Manpower	Tempor
Eurointerim	Marvecs	Temporary
E-Work	Men At Work	Trenkwalder
Ge.Vi	Metis	Umana
Generale Industrielle	Obiettivo Lavoro	Vedior Lav.Temporaneo
HIT	Orienta	Worknet
Idea Lavoro	Page Interim Italia	

Table 1.3 Italian Temporary Work Agencies involved in the study (2005)

Ad Interim	Ge.Vi	Openjob
Adecco	Generale Industrielle	Orienta
Adhoc	Idea Lavoro	Page Personnel Italia
Ali	In Job	Pianeta Lavoro
Allbecon Italia	In Time	Punto Lavoro
Alma	Innovex Staff Services	Quandocorre Interinale
Altro Lavoro	Intempo	Quanta
Articolo 1	Interim 25 Italia	Randstad
Atempo	Interitalia	Risorse
Brook Street	Inwork Italia	Select
Coserv Interim	J.O.B.—Just On Business	Sinterim
Creyf's	Kelly Services	Start Lavoro Temporaneo
Ddl—Dimensione Del Lavoro	La. In.	Synergie Italia
Delta 2	Lavorint Risorse	Team Work
During	Lavoro Mio	Tempor
Easy Job	Lavoropiù	Temporary
Elettra Services	Manpower	Trenkwalder
Ergon Line	Marvecs	Umana
Etjca	Men At Work	Vedior
Eurointerim	Metis	Workforce On Line
E-Work	Obiettivo Lavoro	Worknet
G.B. Job		

Table 1.4 Italian Temporary Work Agencies involved in the study (2007)

Adecco	Just On Business	Sinterim
Adhoc—Lavoro doc	La Formica	Synergie Italia
Allbecon Italia	Lavorint Risorse	Vediorselect
Alma	Lavoropiù	Worknet
E-Work	Manpower	
Generazione Vincente	Metis	
Generale Industrielle Italia	Oasi Lavoro	
Humangest	Obiettivo Lavoro	
Idea Lavoro	Oggi Lavoro	
In Job	Page Personnel Italia	
In Time	Quanta	
Intempo	Randstad Italia	

that attempt to explain the development of agency work and temporary work agencies in western countries in the light of different strands of theory.

The second chapter focuses on an analysis of employment agencies in Italy. In particular, it analyses the lengthy process that led to the emergence and current

Table 1.5 Italian Temporary Work Agencies involved in the study (2009)

Adecco	Igea	Oasi Lavoro
Agenziapiù	Infor Group	Obiettivo Lavoro/Intempo
Ali S.p.A./Yous	In Job	Oggi Lavoro
Articolo 1	Just On Business	Orienta
Delta 2	Kelly Services	Quintiles
During	Lavoro.Doc	Realjob
Etjca	Lavoropiù	Synergie
Generazione Vincente	Life In	Tempor
Gi Group	Manutencoop	Wintime
Gruppo Vita Serena	Maxwork	Workforce On Line
Humagest	Men At Work	

Table 1.6 Italian Temporary Work Agencies involved in the study (2012)

Adecco	Generazione Vincente	Maxwork
Ali	Gi Group	Men At Work
Alma	Gruppo Vita Serena	Obiettivo Lavoro
Altro Lavoro	Idea Lavoro	Oggi Lavoro
Archimede	In Job	Openjob
Articolo 1	InLavoro	Orienta
Atempo	Intempo	Page Personnel Italia
Delta	Just On Business	Quanta
Etjca	Lavoro.Doc	Start People
EuroLavoro2mila	Lavoropiù	Synergie Italia
E-Work	Life In	Wintime
G.B. Job	Manpower	Yous

structure of the employment agency sector that involved numerous changes and phases. The chapter analyses the regulatory and legislative framework of the agencies and compares agency work with other forms of flexible employment on the basis of four dimensions of organizational analysis.

The third chapter focuses on the description and analysis of numerous key players who, in various ways and with different approaches, objectives and forms of behavior, participate and operate within the TWA sector. In particular, the chapter examines the dynamics of the sector and the strategic and organizational behavior of the various players.

The fourth chapter analyses the structure and collective performance of the TWAs analyzed in the six field studies. It describes the evolutionary dynamics of the sector, the structural features, the turnover, the employees, the branches and the level of concentration of the sector. In particular, the chapter shows how these aspects have changed over the period examined in the study.

The fifth chapter seeks to analyze the economic and financial structure of the employment agency sector in Italy. Through the balance sheets of the TWAs that

Table 1.7 Italian Temporary Work Agencies involved in the study (2015)

Adecco	In HR	Only Job
AD HR Group	In Job	Openjobmetis
Agenziapiù	In Opera	Opportunity Job
Alba	Infor Group	Orienta
Ali	InLavoro	Ortec SL
Alma	Intempo	Osmosi
Archimede	Job Camere	Page Personnel
Areajob	Job Italia	Quanta
Arkigest	Job (srl)	Quintiles Staff Services
Articolo 1 (srl)	Just On Business	Randstad Italia
Atempo	Kelly Services	Real Job
AxL	Labor	Risorse
Cooperjob	Lavorint	Sapiens
During	Lavoro Mio	Staff
Elpe Global Logistic Services	Lavoro.Doc	Synergie Italia
Etjca	Lavoropiù	Talea
ETS Nexus	Life In	Tempi Moderni
Eurointerim	Love For Work	Tempor
E-work	Manpower	Temporary
Experis	Manutencoop	Time2temp/Feres
Free Work	Men At Work	Trenkwalder
Generazione Vincente	Nuove Frontiere Lavoro	Umana
Gi Group	Oasi Lavoro	Wintime
Humangest	Obiettivo Lavoro	Work & Progress
Idea Lavoro	Oggi Lavoro	Workforce On Line
Aizoon Consulting	Igea	Power Tech
(Business) Best Engage	Iss International	Vitassistance
Docs Italia	Mediatica	S.C. Trade Vision & Consulting
Ad Personam	Parc Aviation Limited	SC Desido HR
Eni International Resources Limit.	Poltime	Slotime
Epsco Resourcig Limited	Quanta Resurse Umane	Tash
Labor Resurse Umane	Relizont	
S.C. Humangest Group	HRK GMBH	

took part in the research, the analysis aims to examine various aspects of the sector such as the structure of capital and income, profitability and financial stability.

The preceding chapters describe the considerable research undertaken to try and explain the development of temporary work and temporary employment agencies in western countries in the light of different theoretical approaches. The sixth chapter

analyses the development of the TWA sector using new institutional theory. The work contributes to the institutional logic perspective fitting into the discussion on the coexistence of competing logics in an organizational field. In particular, it analyses the interaction between players in the field and the influence of the regulatory framework on the actors' behavior.

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Chapter 2

Employment Agency and Temporary Work Agency

Abstract The following chapter aims to introduce the analysis of the research that has been carried out on temporary employment, agency work and the role of employment agencies in Italy and in the world. It should be emphasized that the scientific community is displaying increasing interest in the issue. From this perspective, the studies we present represent tangible evidence of the increasing role of this industry within the Italian and the international economic system. Firstly, the chapter provides an exhaustive definition of employment agencies, secondly it aims to present an overview of the main researches and studies carried out. These aim at analyzing causes and motives of the growth of the sector in the world and we divide them into those following a mainstream approach and those that criticize this dominant approach.

Keywords Employment agencies · Temporary work agencies · International Labor Office (ILO) · Labor market

2.1 Temporary Work Agencies: Traits and the Scope of the Analysis

The terminology for the employment agency sector and for the temporary work agency is still not very extensive or well-developed, either in the specialist literature or in everyday jargon.

The lack of an agreed terminology stems firstly from the relatively recent nature of the sector. The ban on employment intermediation, which was a feature of the regulations of numerous European countries until a few years ago,¹ has hindered the establishment and development of this sector and slowed down the consolidation process of the terminology employed.

An additional factor that has prevented the consolidation of an agreed terminology is related to the conditioning exerted by the different regulatory structures

¹Outsourcing has recently been recognized in several important Mediterranean countries in Europe and, in particular, in Spain in 1994, in Italy in 1996 and in Greece in 1998.

that have emerged in various European countries which have encouraged the proliferation of different terms.

However, the lack of a uniform terminology can also be explained by the fact that the sector of employment agencies has various types of operators whose role differs mainly according to the type of service they provide to firms and workers. In this employment and recruitment industry we can include the following types of company: temporary work agencies, recruitment and selection firms, outplacement agencies and job broking agencies, intermediaries, etc.

The analysis of the state of employment agencies worldwide therefore represents a necessary step that makes it possible to define the boundaries of the research with greater precision.

The main studies carried out in this sector aimed at identifying the operators in employment agencies make use of the definition provided by the *International Labour Office* (ILO) at the 181 convention held in 1996. The prestigious international body provides the following definition of these operators: “*The expression “private employment agency” applies to any physical or moral person independent of government and operating on the labour market for the purpose of providing an employment service, whereby “any physical or moral person” may mean companies as well as institutions, associations and societies*”.²

The *International Labour Office* definition of the sector is extremely broad since it includes all operators (companies, institutions and associations) that offer employment services. Simultaneously, however, to give greater precision to the roles of operators whose jobs fall within this broad definition, the ILO has identified different types of agencies which it groups into three different categories (Table 2.1):

(1) Intermediaries; (2) Skill providers; (3) Direct services providers.

According to the ILO, intermediaries are operators who facilitate the encounter between workers and firms without the agency playing any role in the employment relationship. Intermediaries include the following: job broking and placement agencies; executive search agencies; recruitment and selection firms; *interim management* agencies; agencies for special categories (de Koning et al. 1999). The job broking and placement agencies provide services aimed at matching the supply of labor to demand. It is a free service for workers and public agencies (job centres) usually provide it free of charge to firms as well. This means that there are very few private operators in the sector. Job broking and placement services are also offered by no-profit agencies which provide a placement service and support for matching job-seekers and those in search of workers.³

Executive search agencies offer assistance to firms when searching for managerial figures. These operators have existed all over Europe long before the market for employment services was liberalized. The market for executive search agencies

²ILO (1996).

³Four sub-types can be identified among these operators: (1) voluntary associations; (2) *placement* offices in universities and training colleges/institutions; (3) professional and student organizations; (4) trade unions.

Table 2.1 Private employment agencies: a taxonomy

Intermediaries	<ul style="list-style-type: none"> – Job broking and placement agencies – Executive search agencies – Recruitment and selection firms – Interim management agencies – Agencies for sportsmen, artists, models
Skills providers	<ul style="list-style-type: none"> – Temporary work agencies – Staff leasing agencies
Suppliers of direct services	<ul style="list-style-type: none"> – <i>Outplacement agencies</i> – Computerized job database agencies

Source de Koning et al. (1999)

is dominated by several large multinationals which generally also provide other services (consultancy, training, staff support services).

Recruitment and selection agencies represent the third category of intermediaries. These operators offer similar services to those of executive search agencies but they are operating in the labor market segment just below (head hunters, specialist staff managers and employees). *Interim management* agencies provide a service that falls halfway between executive search agencies and temporary work agencies. The service consists of making managers available to firms for a limited period to carry out a project, deal with a crisis or a company takeover. These operators are intermediaries because they do not have any role in the work relationship between the firm and the manager who usually signs a fixed-term contract with the firm to which they are sent to perform a task.

The last category of intermediaries is that of agencies for special categories like sportsmen, artists and models. This type of agency looks after the interests of workers, dealing with their contractual and administrative relationships.⁴

The skills providers represent the second group of Private Employment Agency and differ from intermediaries since, when providing their service, they act as employers. The temporary work agencies⁵ are the most significant type of skills providers and, more generally, of all private employment agencies.

Temporary work agencies have a much larger turnover than all the other types of operators. These companies very often extend their services to include other activities such as recruitment, selection and *outplacement*.

The ILO defines temporary work agencies as: “... *any natural or legal person, independent of the public authorities, which provides one or more of the following labour market services:* (ILO 1996, 2009)

⁴There are numerous firms made up of individual professionals (such as the agents that provide assistance to professional footballers); however, it is important to take account of the presence of larger firms (a striking case, again in the world of professional football, is Gea Word which represents the interests of numerous footballers and managers/coaches).

⁵Temporary work agencies and staff leasing agencies in Europe are generally known as Temporary Work Agencies.

(a) services for matching offers of and applications for employment, without the private employment agency becoming a party to the employment relationships which may arise there from; (b) services consisting of employing workers with a view to making them available to a third party, who may be a natural or legal person (referred to below as a “user enterprise”) which assigns their tasks and supervises the execution of these tasks;(c) other services relating to job seeking, determined by the competent authority after consulting the most representative employers and workers organizations, such as the provision of information, that do not set out to match specific offers of and applications for employment” (ILO 1996).

It should be emphasized that the ILO definition of temporary work agencies is extremely similar to the one used by the International Confederation of Private Employment Agencies (CIETT)⁶ to define Private employment agencies. The organization, which represents the trade associations of agencies from the main countries in the world, tends to circumscribe the sector exclusively to firms that provide temporary work. Skills providers also include staff leasing agencies which can lease staff on an open-ended basis to potential users.

Suppliers of direct services are the third group identified by the ILO. The employment agencies that fall into this category provide services to businesses and workers without an employment contract. According to the ILO, outplacement agencies and computerized job databases agencies are the most important suppliers of direct services.

The ILO classification represents a useful attempt to systematize the complex world of employment agencies. Like any taxonomy, it is obviously unable to provide clear, rigid distinctions, especially in an extremely dynamic and constantly changing sector such as the labor market.

For example, the ILO’s attempt at clarification does not take account of the fact that numerous agencies do not just offer a single type of service and may act as intermediaries, skill providers and suppliers of direct services.

The wide range of terms used by Italian journalists, academics, politicians and even operators in the sector (temporary work agencies, staff leasing agencies) reflects the fact that the lack of terminological clarity at international level is even more marked in Italy.

Temporary work agency are therefore involved mainly in providing staff for a user and also carry out other activities as part of the range of services they offer.

Following the approval of Decree 276/2003, the temporary work agencies are entitled to carry out other activities, as well as providing permanent and temporary work and staff leasing. These activities are typical of an employment agency and

⁶In a study commissioned by Ecorys-Nei, Ciett (International Confederation of Temporary Work Businesses) defines the Private employment agency (as) any natural or legal entity that provides labor-market services consisting of employing workers with a view to making them available to a third party (a user firm), which assigns a certain part of its tasks and supervises the execution of these tasks by the agency worker. in Nei (2002), “Rationale of Agency Work. European labour suppliers and demanders’ motives to engage in agency work”, Ciett, Brussels.

consist in providing intermediation, search and selection of staff and support for outplacement.

Reverting to the ILO classification, the firms included in the study originally began life as skills providers (temporary employment agencies) and, with the new legislation, can potentially offer the range of services that are typical of a Private Employment Agency. In Italy with the last and new legislation (above mentioned) come into force employment agencies are called Temporary Work Agencies TWAs

The agencies analyzed in this book report are defined using the term “temporary work agencies” to describe the main service that they provide, that is the agency work on a temporary or permanent basis. However, the term “employment agencies” should also include, as well as temporary work agencies, other private firms and, in particular, the following: staff leasing agencies; job broking agencies recruitment and selection firms, outplacement agencies etc.

2.2 The Employment Agencies Industry: An Overview of the Literature

Employment agencies represent an important part of the labor market in leading developed countries. The activities carried out by these agencies affect and influence the mechanisms of the labor market, in particular the link between supply and demand of work (Storrie 2002). An understanding of the mechanisms of this sector is particularly important for a large number of bodies including the following: the institutions responsible for regulating the labor market,⁷ the firms and all the bodies interested in making use of the services provided by these agencies, the workers for whom the agencies represent a means of gaining access in a new way to the labor market, trade unions and employers’ associations which consider agencies as a new player in the negotiation process.

Scott and Davis (2007) emphasize that the need of businesses to adjust to the fluctuating demands of the market and continuous technological and competitive changes has undermined the traditional model of the employer-employee relationship based on the trade-off between subordination and stability in favour of a model of the business-employee relationship which is less stable, entrepreneurial, participatory and oriented towards the market. In this regard, it is interesting to quote from Cappelli (1999) who made the following statement as early as 1999: *“Most observes of the corporate world believe that the traditional relationship between employer and employee is gone, but that there is little understanding of why it ended and even less about what is replacing that relationship”*.

⁷In particular, the European Union, with the Green Paper “Partnership for a New Organization of Work” Commission of the European Communities, COM (97) 128 final, has encouraged comparative studies of the sector.

In Italy, the forms of flexible employment, together with the disappearance of the state monopoly on employment services, have helped to change “rules of the game” in the business-employee relationship and to replace the traditional dual relationship with a number of other relationships in which other players are often involved. This has a big influence on the organizational choices and models of public and private firms, but also on the dynamics and organizational structures of other players involved in the labor market (employment agencies, trade unions, bilateral organizations, business associations and other professional associations).

The need to understand the reasons underlying the emergence of a new sector has led the academic community and research centres to carry out studies and research. Several studies have sought to improve our knowledge of the sector, highlight the reasons that have encouraged its development and understand the impact of the success of employment agencies on workers and users. Just to give an example of our assumptions we can start to mention some of the most recent study on this topic: Bergstrom and Storrie (2003), Smith and Neuwirth (2009), Guest et al. (2010), Liu et al. (2010), Janta et al. (2015), Comi and Grasseni (2012), Consiglio and Cicellin (2012).

This paragraph presents a brief overview of the main academic studies carried out in recent years aimed at describing the reasons behind the expansion of the employment agency sector. The analysis will begin by examining the main approach to the study of agency work which revolves around explaining the “supply side” of the labor market, linking the growth of the sector to the strategic and organizational decisions of users; the second part of the analysis offers a critique of this approach and alternative or additional interpretations of the phenomenon.

2.2.1 The Mainstream Approach

Most studies correlate the development of private employment agencies with a series of strategic and organizational changes that have taken place within the industrial and the service sectors (Davis-Blake and Uzzi 1993; Pfeffer and Baron 1988; Osterman 1987; Mitlacher 2007; Subramony 2011).

The challenge posed by globalisation, combined with the speed of technological innovation and the turbulence of the supply chain and the end market, have led firms to increase their flexibility in order to cope better with the unpredictable nature of the marketplace. The need for greater flexibility has encouraged firms to focus on their core business and to turn to outsourcing which has had a massive impact on human resource management. According to this strand of research, the exponential development of the employment agency sector can be mainly explained by the increasing tendency of firms to resort to forms of employment that differ from long-term contracts. Various terms have been coined to describe these new forms of employment in studies carried out in Europe and the United States: the terms include “contingent work”, “forms of flexible employment” or “alternative

forms of employment”, outsourcing, “precarious employment” or “forms of temporary employment”.

The need to turn to new employment solutions raises a range of intriguing questions for scholars of labor organization:

1. “breaking down organizational barriers”: the use of non-standard forms of employment, staff leasing contracts or contract labor has made organizational barriers more fluid and hard to identify;
2. “Integrated human resource management with different types of contract”: the presence of staff in the same company, or sometimes even in the same workplace, with different forms of labor contract means that personnel directors have to be careful when dealing with problems related to this variegated employment environment;
3. “management of external staff”: the use of new forms of employment means that firms have to be more concerned with the problems related to working conditions, as well as the health and safety of employees who accept undertaking posts with non-standard work contracts.

Three main theoretical approaches are used in studies aimed at analysing why organizations choose to resort to new forms of employment and when they are forced to make use of the services of an employment agency: the economics of transaction costs, the theory of human capital and the resource base view of the company. According to the concept of transaction costs, it is necessary to imagine a range of possible alternatives to establish the link between people and a company (Miles and Snow 1984; Masters and Miles 2002). To facilitate our understanding of reality, Williamson (1975) and Coase (1937) before him, highlighted two main alternatives: the market approach and the hierarchies/organizations approach. The market approach (outsourcing) is used each time the organization, when faced with a need, does not resort to subordinate forms of employment. A firm follows this approach in various cases: for example, when it needs to safeguard its interests to solve a legal dispute with a client, it turns to the services of a professional with whom it draws up a contract which defines the nature of the position, the payment and a series of clauses that protects both parties. Rather than a subordinate working relationship between the lawyer and the firm, there is a contractual transaction in which one party (the firm) purchases a professional service and the other party (the professional) sells it.

In this case the transaction is governed by market regulations and, as well as the cost of the service, the firm will also be responsible for paying the so-called external transaction costs (selection of the professional, negotiation and drafting of the contract).

The hierarchies/organizations approach (internalisation) is used when a company, in order to carry out activities required for the running of the company such as solving legal disputes, decides to take on a person who is entrusted with the task in exchange for payment. In this case, a traditional salaried employer-employee relationship is created between the organization and the person. The transaction is

governed by the regulations of the organization and the firm shall bear the costs of payment and the costs of internal transactions. These costs include the expenses required for administration, defining procedures and developing policies for managing working relationships. Scholars who are influenced by transaction cost theory argue that firms tend to resort to new flexible⁸ forms of employment, including the agency work, when:

- they are unable to predict the future need of the specific post;
- the degree of uniqueness or firm specificity of the job is low;
- it is easy to assess the performance of the work involved (Masters and Miles 2002).

The first factor that leads to new forms of employment is linked to the organization's inability to predict the future needs of the professional skills it intends to purchase on the market. When the organization chooses to make use of professional expertise to satisfy a temporary need, linked for example to an unexpected order or a sharp increase in production, and is unable to predict the future use of the worker concerned, it will tend to opt for temporary forms of work. In this case, the internal transaction costs (administrative management of the employee, investment in training and development and costs related to their eventual departure) are higher than the external transaction costs (costs of research, negotiation etc.). The second factor underlying the decision to resort to flexible forms of work is related to the degree of specificity of the job. When a task requires highly specific expertise, a situation of mutual dependence is created between the firm and the worker, which leads the firm to resort to a hierarchical/organizational approach and therefore to permanent forms of work. In these cases, the know how and the expertise required to carry out a task are not standardized and widespread in the external labor market, but are specific to a particular organizational context. This has led to an idiosyncratic relationship between the holder of the task and the organization to which they belong. The worker is aware that their acquired skills are very important for the company since they would be difficult to find outside the organization. At the same time, the worker will feel a strong bond with the company for which they work since their acquired skills, by being so firm specific, are extremely important for this working environment but would not be in such great demand in the labor market.

Consequently, flexible forms of work will be used more often when the skills required for a task are not particularly specific (Joskow 1993).

⁸The European and American specialist literature have used different terms to refer to the "new" forms of employment: some authors use the term "contingent employment", others refer to "forms of flexible employment" or "forms of alternative employment", others to forms of labour outsourcing, precarious employment or "forms of temporary employment". For a critical analysis of the terminology used to define alternative forms of employment to permanent employment, cf. Bergstrom and Storrie (2003). This study will use the term "new" forms of employment. The term "new" is used metaphorically (given that over ten years have gone by since the last piece of legislation regulating employment passed in 2003) to refer to the fact that they are alternatives to standard forms, hence the use of inverted commas.

According to transaction cost theory, the third factor that influences the decision of firms to resort to flexible forms of work is linked to the possibility of clearly defining the performance levels of the work. According to a study featuring interviews with heads of personnel in the United States, the use of alternatives (to traditional salaried employer-employee relationship) increases with the growing capacity to control and assess the performance of the person to whom a task has been assigned (Master and Miles 2002). When the organization is unable to assess the performance there is a higher risk of opportunistic behavior by the worker and therefore there is a tendency for the transaction to become hierarchical.

A second strand of research used to explain firms' behavior in the choice of the most suitable form of work regards both human capital theory (Backer 1964; Flamholtz and Lacey 1981; Schultz 1961) and resource-based view theory (Barney 1991; Prahalad and Hamel 1990; Wernerfelt 1984). According to these theoretical approaches, firms opt for flexible forms of work, including agency work, only after carefully assessing the features of the human resources they intend to acquire.

Advocates of human capital theory argue that organizations prefer permanent employment relationships only when the investments they make to enhance and develop individuals within the company can increase future productivity. When the investments that the organization makes in people do not allow an increase in productivity, firms will consider it more advantageous to use alternative employment relationships.

Scholars who support the resource-based view tend to think along similar lines. They tend to focus on individual skills rather than on the details of the transaction, arguing that the choice of the employment relationship is influenced by the contribution that a specific organizational task can make to create a competitive advantage to the firm (Quinn 1992; Venkatesan 1992).

According to the resource based view, the value of human capital is linked to its capacity to contribute to the firm's competitive advantage or to its core competence (Lepak and Snell 1999). Based on these premises, it is possible to distinguish among tasks within the organization those that are an integral part of the core competence and those which can be considered "peripheral" duties or tasks (Barney 1991; Quinn 1992). In particular, Porter (1985) defines core tasks as the activities that make the greatest contribution to the value perceived by the client. Clearly, the importance of the human capital within an organization is conditioned by many different aspects such as the type of sector in which the firm operates. In sectors with a high added value where, in order to compete, it is necessary to have workers with high levels of expertise, the value of human resources will prove to be extremely high (Snell and Dean 1992).

The higher the value of the individual (or even of their potential value), the higher the propensity to use permanent employee contracts in order to reduce the risk of losing the acquired and "incorporated" skills of the worker.

A similar approach is used by Handy (1989) who, drawing on the "*core and periphery*" model developed by Aktinson (1984), predicts that each firm has three types of worker: "*core*" workers who are devoted to the specific activities of the

firm; “external workers”, taken on by companies who work on behalf of the firm to carry out ancillary activities (maintenance, general activities, transport, etc.); “temps” who can be divided between workers who perform basic activities and those who provide professional services on a project basis. This type of approach denies the existence of an ideal form of work and overcomes the holistic view of certain scholars who dismiss the profound differences within the staff of an organization as insignificant, such as the numerous advocates of “*Strategic human resource management*” (Arthur 1994; Koch and McGrath 1996; Kochan and Osterman 1994; Lawler 1992; Levine 1995) who have emphasized the role of investment in human capital regardless of the type of task or activity undertaken by the staff, or of scholars who, on the contrary, have highlighted the advantages of new forms of employment (Quinn 1992; Snow et al. 1992).

In a study carried out in 1999 and published in the *Academy of Management Review*, Lepak and Snell (1999) developed a model which, drawing on transaction cost theory, human capital theory and the resource base view, seeks to analyse how firms choose the most effective forms of employment.

The choice between a system of work transactions focused on a hierarchical approach (permanent employment contract) rather than the market (flexible forms of work), according to the authors, consists in deciding the proportion of one approach or the other. When selecting the form of employment, a firm or organization has to decide whether, and to what extent, it should resort to the services of an employment agency and, more generally, to other forms of employment, but especially which tasks should be assigned to workers with these types of contract.

The alternative options represent theoretical hypotheses since it is unusual to find companies that exclusively use new forms of employment or organizations that resort solely to permanent employment contracts. The model developed by Lepak and Snell differentiates the capital of an organization on the basis of two dimensions: the value (the capacity to contribute to a firm’s competitive advantage) and uniqueness (firm-specific knowledge and skill). By juxtaposing these two dimensions, the authors created a matrix (Table 2.2) divided into four cells highlighting the main types of human capital within an organization and the employment modes that should be used: 1. internal development; 2. acquisition; 3. alliance; 4. contracting.

Internal development consists of skills and expertise of high strategic value and uniqueness. This type of human capital represent the heart of the organization; these people possess the core knowledge that establishes the firm’s competitive advantage while, at the same time, they have firm-specific skills which are not available on the labor market. In this situation firms are more likely to employ people internally, because skills are firm specific.

There are two advantages to using a permanent employment contract for these workers: firstly, the strategic advantages of internalization are higher than the bureaucratic costs linked to managing, developing and maintaining these human

Table 2.2 Types of human capital

		Incentive to establish the employment relationship			
		Low		High	
High		Acquisition (II)	Internal development (I)		High
Strategic value of the skills		Contracting (III)	Alliance (IV)		Incentive to internalise human capital
		Low		High	
Low		Uniqueness of the skills			Low

Source Adapted from Lepak and Snell (1999)

resources; secondly, the skills and knowledge of these individuals are firm-specific and are therefore not available in the external labor market.

Using the terminology coined by Tsui et al. (1995) and by Rousseau (1995), this situation creates an employee-organization relationship that is focused on the organization. This term is intended to underline the way employees and the organization have a mutual interest in “staying together”. While the organization is unable to find the skills possessed by these employees in the labor market, the employees themselves are highly aware that the value of their expertise is far higher within the organization than in the external market. This firm-specific situation creates the ideal conditions for a relationship based on continuity and the mutual advantage of “staying together” in the awareness that the interests of both parties are convergent. The organization has an incentive to foster processes of training and involvement in decision-making which increase the level of motivation and the employees’ sense of belonging.

The second quadrant is human capital acquisition related to skills and expertise of high strategic value but with a low level of uniqueness. Staff with these qualities possess skills and know-how which are important for establishing the firm’s competitive advantage but are widely available within the labor market. This

encourages firms to internalize resources which play a significant part in achieving a competitive advantage while, on the other hand, it poses limitations to staffing policies aimed at internal development. According to human capital theory, the low level of firm-specific skills leads to a high risk that training investment carried out with internal resources can be used by other organizations when employees decide to move to other companies. The lack of idiosyncrasy poses a risk to investment in human resources because they are also marketable outside the organization. To counter-balance these conflicting pressures, organizations will tend to internalize resources with these features although they may choose a short-term approach to the type of employment relationship. The organization will focus on identifying the skills they require in the labor market at a specific time and are prepared to pay for them at the going market price. In this case, the organization acquires ready-trained resources to perform a specific task, but will be reluctant to arrange training for the acquired human resources since they fear that the investment will be assimilated by the worker and transferred to other firms. A “symbiotic” relationship, based on mutual interests, is created between the employee and the firm (Etzioni 1961). This relationship will remain stable as long as the condition of mutual interest persists. Obviously, the interest in staying together is less important than in the previously analyzed situation since both the firm and the employee are continuously able to assess possible new alternatives. The firm always has the chance of identifying a person with the same features in the labor market while the employee has skills and expertise that will interest a range of organizations. This means that employees will be less focused on the interests of the organization where they work and far more concerned with their own professional career. Quadrants III and IV represent human capital that may remain external to the firm. “Contract” or outsourced human capital involves skills and expertise with a limited strategic value and a low level of uniqueness. These employees have skills which are widely available on the job market and make no significant contribution to the firm’s competitive advantage. In this case, there is extremely little incentive to internalize these human resources. The firm has no interest in investing in training since the skills are already available on the job market and there is no need to recruit permanent employees since the costs related to the use of a hierarchical approach are higher than the possible benefits. In this case, the organization will use outsourcing, tenders, staff leasing or project work. Naturally, these workers have extremely limited involvement in the organization and the relationship is exclusively job-focused (Tsui et al. 1995).

The “alliance/partnership” employment mode involves human capital that is unique to the firm but adds little strategic value to it. The employees with these traits have firm-specific skills which are hard to find in the labor market but do not contribute directly to creating the organization’s competitive advantage. Examples include consultants or accountants who provide support for SMEs. Besides their basic technical skills, these people possess the knowledge of the characteristics and functioning of their clients that enables them to form an idiosyncratic relationship

with them. However, these highly firm-specific skills do not contribute significantly to establishing a competitive advantage for the firms for which they work.

In line with the principles of transaction cost theory, the specific nature of these employees' skills encourages the firm to internalize these resources. However, given the limited contribution that these resources can make to achieving the firm's competitive advantage, human capital theory highlights the way that the benefits that might stem from internalization are outweighed by the costs needed to sustain them.

To counter-balance the conflicting pressures, organizations will tend to form a professional business relationship with these individuals. In practice, it is a form of outsourcing which, however, is based on the desire of both parties to "stay together" over a long term period since they have a mutual interest in maintaining the relationship. In this case, an exclusive relationship is not required since the skills possessed by these resources do not contribute to the firm's competitive advantage. This kind of relationship displays certain similarities with the symbiotic relationship since the parties establish a relationship if they perceive a mutual interest in working together on a short-term basis. However, in this specific case, the assessment is made on the basis of the single contract which, in extreme circumstances, can involve a job that may last only four hours. However, in the symbiotic relationship, the assessment of expediency regards a longer term relationship which involves a more stable commitment within the organization. The emphasis placed on the type of activity to be undertaken and the workers' complete lack of interest for the organization mean that the firm must carefully define the subject matter of the contract: in other words, the specific contents of the task required, the form of assessment of the activity and the terms of the agreement between the parties. In the case of a symbiotic relationship, the main focus is on the recruitment and selection of human resources.

According to the dominant approach, firms resort to new forms of works when they need to fill positions which are not highly firm-specific and make a negligible contribution to the organization's competitive advantage.

2.2.2 Critique to the Mainstream Approach

The dominant theoretical model of human capital and the resource-based view, which draws heavily on transaction cost theory, undoubtedly represents a useful reference point for understanding the development of employment agencies. The various empirical studies that have been carried out also demonstrate the sustainability of this approach.

Several studies (e.g. Von Hippel et al. 1997; Krueger 1991; Koene et al. 2002) have analyzed the capacity of the dominant model to explain the development and success of employment agencies. As a matter of fact, they highlighted its inadequacy to understand many aspects and phenomena that have emerged in the sector.

Four main criticisms have been directed at the dominant model:

- (1) it treats all new modes of employment that differ from permanent employment as one indistinct category and does not highlight the distinctive features and differences between the various types of employment contracts;
- (2) it does not take account of the processual nature of acquiring human resources;
- (3) it focuses on the choice of employment mode and fails to consider the role carried out by agencies in outsourcing other phases of the acquisition of human resources;
- (4) it focuses exclusively on “the demand perspective” (the behavior of users), neglecting the influence of supply and, more generally, institutional factors.

The first criticism that can be made of the model is its excessively simplified approach. When discussing the choice of forms of employment, most studies, inspired by transaction cost theory and the resource-based view, have compared the differences between traditional permanent full time contracts and other forms of contingent work (part-time, temporary, in house, agency, staff leasing, contracted, etc.) making it difficult to generalize and to analyze replicability (Gallagher and Sverke 2005).

Although it has the advantage of simplifying reasoning, this approach places many different employment modes (such as fixed-term contracts and temporary work) on the same footing which makes it impossible to highlight another important choice that the organization needs to make. When an organization decides to use new employment modes rather than permanent employment, it has to choose the most appropriate form. There are numerous ways for firms to outsource work and staff leasing is just one of the various available options. From this perspective, the process of deregulation, which has profoundly affected the job market in Europe and Italy, has increased firms’ freedom of action and has introduced a wide range of alternatives which have broadened choice but have made the selection process more complex.

Another simplification of transaction cost theory applied to employment transactions is the lack of clear boundaries between what lies “inside” the organization and what lies “outside” it. Although short-term contracts, part-time work, “on call” work, job sharing and apprenticeships are all “contingent” and “temporary”, (to use the definitions to be found in part of the literature, Bergstrom and Storrie 2003), they are handled directly by the firm which maintains its power and control over the employee. Only consultancy and project-based contracts should really be defined as outsourcing (use of the external market). Staff leasing should be defined as “quasi-market arrangements”. If the worker is contractually bound only to the employment agency, the user can exert direct control and power over the worker on the basis of a commercial agreement drawn up with the agency.

The second weakness of the dominant model is that it does not focus specifically on the processual nature of the recruitment and selection policy adopted by firms. Consideration of processual aspects of recruitment and selection helps to shed light on a firm’s behavior and the way it uses new forms of employment (Costa 1992).

Firms use these tools, in particular apprenticeships, starter contracts, fixed term contracts and staff leasing, to improve the process of acquiring human resources who can find stable, permanent positions within the organization. The use of new forms of work enables firms to reduce the risks linked to the relatively irreversible nature of decisions regarding the stock of human resources (in this sense, similar to decisions about investment in plants and equipment). The use of temporary work, agency work and, more generally, all the form of flexible employment (Consiglio and Moschera 2001a, b, c, 2002, 2005, 2008, 2010) enables firms to “internalize” human resources after carefully assessing their capabilities, skills and aptitude over a period longer than that stipulated for trial periods by permanent employees. The decision to use new employment modes is therefore not linked necessarily to the fact that a specific position requires generalized skills and knowledge and does not contribute to the firm’s competitive advantage. The organization may be forced to use new employment modes even when it has taken on highly skilled strategic staff. The importance of this phenomenon is reflected in the widespread use by scholars of terminology that differentiates the inclusion of workers on agency staff leasing contracts into two types: “temp to temp” contracts and “temp to perm” contracts. While the former refers to an agency contract drawn up to meet an exclusively temporary need, the latter shows how the decision to use agency work is aimed at stabilising the worker into the firm’s internal organization.

In this regard Von Hippel et al. (1997) use a bank as an example to highlight how the decision to use an agency’s services is aimed at supporting the selection phase since it enables the company to pre-select potential candidates by using a longer trial period than normal. According to the managers of the banking group, temporary contract allows workers to weigh up their interest in the position and the work opportunity provided by the firm. The opportunity to have a long trial period through temporary forms of employment minimizes the mistakes made during the acquisition of human resources and reduces the risks of turnover since the workers themselves, when they accept permanent employment, have a greater awareness of the type of activity they are required to undertake. This type of requirement is particularly important for organizations for whom dismissal is an option to avoid wherever possible (Krueger 1991; Comi and Grasseni 2012).

The third drawback to the dominant model is linked to the fact that it focuses on only one of the phases of the process of acquisition, selection and management of human resources. According to the dominant approach, the development of employment agencies is conditioned exclusively by the higher propensity of firms to adopt new forms of employment such as short term contracts and agency contracts. This type of approach considers agencies merely as personnel service providers, whereas they actually have to cater for far more complex and differentiated needs of organizations and workers supplied (e.g. Stanworth and Druker 2006).

The development of employment agencies cannot therefore be explained solely by the increasing use of outsourced work by firms but by the more general tendency of certain firms to outsource some of the activities traditionally performed by personnel management.

Rather than being restricted to providing agency workers, the demand of organizations for services from employment agencies occurs each time an organization decides to outsource a task traditionally performed by personnel management such as recruitment, selection, training of new employees, administrative management of staff and outplacement.⁹

Organizations which are only sporadically required to acquire human resources generally outsource both staff recruitment and staff selection. Agency recruitment and selection services are frequently used by private firms and public administration which, in order to run the complex competition procedures, use companies specialized in preparing and administering tests and supporting the logistics and organization of the competitions.

When recruiting human resources, organizations can also outsource the training of new employees where there is a lack of professionals in the labor market with the expertise required by the company.

In the view of some scholars, the tendency to entrust agencies with selection and recruitment depends on the fact that these activities resemble an exchange marked by a high degree of information asymmetry since the firm does not know the real capacities of workers in search of employment (Spence 1973). In this situation the agency can reduce the uncertainty of the organization involved in recruiting human resources due to its specialist skills. The large number of CVs handled by the agency and the experience gained over time enables these intermediaries to improve the capacity to choose the most suitable candidate, as well as achieving significant economies of scale which affect the cost of the service. As opposed to the individual worker, the agency has no interest in behaving opportunistically since it seeks to maintain its reputation in order to retain the loyalty of clients with a view to future orders. Reputation is an increasingly important factor, especially for multinational agencies which currently control almost 50 % of the market in leading European countries. An additional factor that leads firms to outsource recruitment and selection is linked to agencies' greater capacities to match individual and organizational needs (Khurana 2002; Koene and Van Riemsdijk 2005).

The agency's first function in the coordination process is to play a direct role in part of the activities required to conclude the transaction which otherwise would be carried out between the firm and the worker. From this perspective, the key players in the transaction decide to delegate a series of activities to a third party which can carry them out at lower costs due to economies of scale and experience in the field. In particular, firms tend to entrust the agency with gathering, systematizing and screening CVs and pre-selection activities on a continuous basis. Simultaneously,

⁹Recruitment and selection do not represent the sole activity that the organization may decide to outsource to the employment agency. Another activity that firms generally entrust to agencies, due to their lack of experience, is outplacement. This consists in helping firms to provide support for staff facing redundancy in order to find other forms of employment. Lastly, there are agencies that offer to manage staff administration procedures on behalf of firms; this practice is highly developed among small firms which delegate all activities to specialists but is beginning to become more established in medium-sized firms and large companies.

the agency also performs functions related to placing the worker and, in particular, searching for and identifying potential job opportunities.

The second coordinating function consists in providing support for the key players in the transaction in terms of defining and formalizing their needs, such as the activities undertaken by the agency when defining the profiles and requirements of the ideal candidate.

Studies on negotiation also offer useful ideas for understanding the intermediary role and function of employment agencies in matching the labor demand with labor supply (Bazerman 1993). Recruitment and selection can be compared to a negotiation process between the candidate and the organization where the agency plays a “third party” role (Khurana 2002). A further criticism directed at the dominant model concerns the fact that the theories used to explain the growth of agencies focus exclusively on the demand side (Purcell et al. 2003). In the view of many scholars, this type of interpretation has various drawbacks which should be taken into account. The approach is based on a rational view of the behavior of companies and considers the labor market to be a perfect market (Purcell et al. 2003). According to Koene et al. (2002), transaction cost theory has a series of disadvantages. In their study of the Dutch labor market, the authors underline the fact that the major growth in the sector during the eighties does not coincide with the significant changes in the factors which, according to transaction cost theory, should affect the use of outsourced work. Between the early eighties and the mid-nineties, the use of outsourced work, together with fixed-term contracts, almost doubled in the Netherlands. However, this period witnessed no major changes in the features of the labor transaction system (fewer relationships, greater uncertainty, less specificity) that could explain the increase. Moreover, during the same period, there were no changes in the regulations that would have made temporary work more economically advantageous than traditional forms of employment or other contingent forms of work. Another problem with transaction cost theory emerges in the light of the utilization rates of these forms of employment in different European countries. The comparison shows that there are widespread differences between the various countries in the rate of development of the sector. According to Koene et al. (2002), these differences cannot be accounted for by transaction cost theory. The dominant model is unable to “explain” these phenomena since it ignores a series of aspects that profoundly affect the dynamics within the employment agency sector of different countries, and in particular the most significant are:

1. The supply of labor and therefore the preferences and motivation of workers;
2. The legislation in force in the various countries;
3. The role played by employment agencies;
4. Aspects of the institutional context.

In terms of the features of the supply of labor, it is worth underlining that, in several cases, even when there is a desire to internalize, the organization is forced to turn to outsourcing due to the difficulties in finding workers willing to accept permanent employment contracts.

The large number of highly skilled staff among agency workers demonstrates that, in certain sectors of the labor market, the view that outsourced work implies low-skilled labor is no longer tenable (Guest et al. 2010). With regard to this point,

Melchioro (1999) states that: “the image of temporary workers carrying out repetitive tasks and unskilled activities is as outmoded as black and white television”.

In particular, the analysis carried out by Purcell et al. (2003)¹⁰ highlights the fact that there are certain niches in the labor market where the balance of power between the worker and the firm has reversed and the choice of career path lies with the worker. Clearly, the bargaining power of the worker will tend to increase in situations where the company is searching for highly qualified staff who are hard to find in the labor market. In these cases, workers have greater opportunities for choosing the type of work they most prefer. According to all the studies that we have analyzed, these are the exception but they concern professionals who sometimes play an important role in companies (Connelly and Gallagher 2004; Chambel and Fontinha 2009; Lozza et al. 2012; Guest et al. 2010).

A further factor that helps to explain the dynamics within the sector with greater precision is linked to the analysis of the conditioning exerted by the regulations in force in the countries where employment agencies operate. Clearly, a legislative system that cannot ensure parity of treatment between permanent employees and temporary workers leads firms to turn to outsourced work.

According to several authors, the level of protection of permanent employees can have a significant influence on the spread of temporary work. A comparative analysis, carried out in various European countries, shows that outsourced work is more common in countries where legislation offers greater protection for permanent employees (Dunnewijk 2001). In these countries, the fear of tightening up the structure of labor costs leads to the use of new forms of employment, which enable firms to have greater flexibility. The dominant model has also been criticized for the lack of attention shown to the role of employment agencies. The presence of these intermediaries has affected the behavior both of firms and workers. A reliable and competent intermediary can reinforce the tendency of firms to delegate part of the personnel management activities to external organizations or agencies or to resort to forms of outsourcing such as the contracting or consulting. At the same time, the presence of intermediaries may represent an additional factor that encourages workers to delegate the search for employment to an experienced professional interlocutor who can, in certain cases, negotiate on behalf of the worker and ensure more rapid access to the labor market. The development of the sector is therefore also fuelled by a “self-perpetuating effect”: the greater the number of agencies, the higher their professional standards and their capacity to create value both for the user and for the workers. Consequently, there will be a greater number of firms and people interested in using their services. According to Purcell et al. (2003), the emergence of agencies for professional and specialist workers has increased the

¹⁰The niche analyzed by the authors regards healthcare professionals in the UK. In this sector of the labor market, the demand for staff is far greater than the supply. This suggests that, despite efforts to internalize professionals, organizations sometimes do not succeed due to the unwillingness of these workers to accept permanent employment instead of temporary employment). For more in-depth analysis, see: Purcell et al. (2003).

propensity of certain categories of workers to opt for agency contracts rather than permanent employment so that they can have greater control over time management in their own lives.¹¹ Simultaneously, the emergence of specialist recruitment agencies, capable of providing highly skilled workers and offering a wide range of services to workers, as well as outsourced work, has led numerous firms to use these services to improve the quality and efficiency of their own recruitment, selection and outsourcing policies. Lastly, the inadequacy of the dominant theoretical model is underlined by a series of scholars who, drawing on neo-institutional theory (DiMaggio and Powell 1983, 1991), have highlighted the fact that the increased use of new forms of employment, including staff leasing, can be explained by examining the organizational environment within which users of these services operate. Bergstrom (2002), one of the leading European scholar on the phenomenon, has emphasized that the success and development of employment agencies can only be understood by looking not only at the strategic and organizational dynamics of firms that use these services but more generally at the institutional features that affect the actions of the players within the organizational environment of these firms. To explain the growth of employment agencies, Koene et al. (2002) also show that the use of outsourced work is related to the legitimation of the phenomenon within the social context.

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¹¹Albert and Bradley have done a comparative study which shows that women who carry out book-keeping tasks through employment agencies show a higher ability to control their own lives compared to women who work with a permanent employment contract in consultancies. For a more in-depth analysis, see: Albert and Bradley (1998).

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Chapter 3

Temporary Work Agencies in Italy

Abstract This chapter describes the different phases that characterize the evolution of temporary work agency (TWA) industry in Italy. We identify four phases. The first one, the incubation phase began in the eighties when a period of intense lobbying and negotiation led to the introduction of agency work within the Italian legal system and therefore to the emergence of the sector in 1997. Then, the chapter describes and analyses the events involved in the phases of development of the sector during the period 2003/2015, including the recent crisis which affected the entire global economy. The regulatory framework of the sector will be presented with an analysis of the impact on the behavior of the key actors involved. In conclusion, temporary agency work will be compared with other forms of contingent work, according to different organizational dimensions.

Keywords TWA evolution · Events · Sector · Regulatory framework · Contingent work

3.1 Introduction

Among the new forms of employment, TAW undoubtedly represents the common element of these new scenarios. While it veers towards greater liberalization of the labor market, temporary agency work provides a series of legal and social guarantees for agency workers (in terms of the system of authorization, sanctions and checks, as well as in terms of training to ensure the professional development of workers. However, although it remains a hotly debated issue, the organizational literature still seems limited, frequently conditioned by preconceived ideas and ideological positions which often focus exclusively on underlining the potential risks of this form of employment for firms and workers (Davis-Blake and Uzzi 1993; Von Hippel et al. 1997; Volberda 1998; Comi and Grasseni 2012).

The latest study by CIETT (2015) reveals that there has been an increasing use of agency work worldwide since 2005. The figures confirm that during a period when national economies have experienced only gradual improvement, agency

work represents one of the main economic indicators of recovery, as well as an opportunity for young people to enter the labor market, especially for the professions with the highest demand.

A clearer idea of this growth can be gained by providing a brief summary of the statistics. The penetration rate¹ of agency work is 1.7 % in Europe (compared to 2.1 % in the USA and 2 % in Japan), where the country with the highest rate is the UK with 3.9 %. Italy is one of the countries where agency work is still not widespread (1.2 %), although its use is growing compared to ten years ago. In global terms, this penetration rate corresponds to 36 million agency workers. There are over 8 million agency workers in Europe (more than 4 million full time Equivalent) and 61 % of them are under 30 and involved in jobs lasting longer than a month. More than 500,000 workers (277,000 daily average number of agency workers FTE in 2015) found employment through agencies in Italy in 2015. Although incomplete, these figures give a clear idea of the extent to which agencies are considered, both by firms and workers themselves, as a valid and feasible alternative to other forms of employment. Moreover, CIETT argues that over time agency work has played an increasingly important role in the modernization of labor markets, in outplacement and as a springboard for constructing long-term careers within organizations. From this perspective, this type of contract is no longer exclusively considered as a temporary stop-gap solution for replacing absent workers, nor for finding low skilled workers or filling marginal jobs (CIETT 2015). In the light of these observations, it is reasonable to argue that full time permanent work in one company for the entire span of one's working life can longer be considered the norm.

Before describing the development of the sector, several aspects of agency work need to be defined. Agency work is a type of contract which regulates relations between three players: the temporary work agency, the agency worker and the user of the services (the firm) which may be a public or private company, but also a natural person or the public administration. Agency work involves a contract through which an agency places one or more workers, taken on by the agency with a fixed-term or permanent contract, in a company which is a client of the agency and which uses the services to meet a temporary need.

From the organizational perspective, the triangular relationship is marked by different exchanges between the players involved. As already mentioned, agency work has been and still remains the subject of several studies and analyses although a considerable number of firms are relatively unaware of this form of employment or how to implement it completely and use it effectively (Consiglio and Moschera 2001b, 2002, 2005, 2008). Knowledge of the specific features and peculiarities of this form of employment is a crucial step for firms to be able to make informed use of agency work and to use it for the most appropriate types of job, exploring the advantages and disadvantages. Compared to most other forms of flexible employment, the user firm must learn how to deal with a key player in a triangular

¹The penetration rate refers to the number of temporary workers in relation to the total number of employed workers.

Table 3.1 Number of active branches (1989)

TWA	Head office	No. Branches
Manpower	USA	3.320
Adia	Switzerland	2.890
Kelly	USA	2.020
Ecco	France	1.790
Bis	France	1.500

relationship: TWAs. Although this relationship is often undervalued, it is fundamental for the well-being and productivity of agency workers and for the general atmosphere within the firm (Cicellin et al. 2015).

3.2 Rise and Evolution of the Italian Temporary Work Agency Field

By the early 1950s, countries like the Netherlands, France, the UK, the USA and Norway were already using temporary agency work, which had already become firmly established in the labor market of these countries among other types of contract. Later on, during the 1960s, Austria, Switzerland, Germany, Sweden, Argentina, South Africa, Australia and New Zealand also introduced this new type of employment contract (Consiglio and Moschera 2001a, b, 2005).

By 1989, 25,000 temporary work agencies were operational all over the world (Table 3.1).

In Italy, the lack of interest in agency work and the limited knowledge of the tool were mainly due to the existence of obstacles and local factors that prevented it being introduced into Italian labor law. The biggest cultural and legal obstacle to the implementation and spread of temporary work contracts were due to the “prohibition of employment brokerage” law (“*divieto di interposizione*”, law n.1369/October 23rd 1960).²

Another aspect that helps to explain the lack of interest in Italy during this period is the extremely strict labor market. In fact, at that time, the debate among the actors involved in the implementation of the new contract mainly focused on the cost of labor and remuneration dynamics (the so-called “scala mobile”).

Trade unions were opposed to contingent work and in particular to the temporary contract, for several reasons, which were mainly related to:

- the risk of weakening the “prohibition of employment brokerage” regarded by trade unions as an important milestone of Italian labor law;
- the risk of opening the way to precarious employment, weakening the workforce’s bargaining power;

²The law forbade the contracting or subcontracting the carrying out of work’s supply using persons employed and paid by the contractor or intermediary to external organizations or co-operatives.

- the risk of this kind of contracts related to the discontinuity of the worker's income, the intermittency and uncertainty of employment, as well as, the associated frequent changes in the workplace.

Moreover, in the early 1980s, the introduction of temporary agency work was not considered a strategic priority even by the main entrepreneurial associations (e.g. Confindustria, Confcommercio, the Italian Confederations of enterprises, professions and self-employment) as reflected in the controversial stances that emerge in the press reviews of the period. This scenario was witnessed by a highly regulated labor market based on legislation whereby workers were mainly taken on with permanent contracts. Moreover, temporary agency work and all non-standard forms of work had been “demonized”. The term “demonization” was often used by supporters of temporary agency work to describe the hostile attitude of the actors involved (trade unions, left wing parties and radical left wing groups,) which, during this period (but also later on) tried to hinder the introduction of temporary agency work in Italy. Given this situation, the creation and development of the organizational conditions for TWAs proved to be an extremely lengthy and complex process. For the sake of clarity, we have subdivided it into four main phases:

- incubation phase (1986–1996);
- emergence phase (1997–2002);
- development phase (2003–2007);
- crisis and current phase (2008–2015).

3.2.1 Incubation phase (1986–1996)

The incubation phase were characterized by fierce debates during that gave rise to cultural and ideological clashes. During this period, information activities, strong lobbying, intense negotiations and legal actions were used to spread the knowledge of the instrument, but also to determine the structural and regulatory features for the future organizational field (Consiglio and Moschera 2001b, 2005; Consiglio et al. 2010, 2011; Moschera et al. 2011).

In 1986, the Labor Minister at the time, Gianni De Michelis, presented a bill that triggered the incubation period. This was the first serious attempt to start a debate on the introduction of the temporary work in Italy.

After the presentation of the bill, a new stakeholder—a multinational company leader in temporary agency work—entered the Italian labor market. In fact in 1989, ADIA, a Swiss multinational and global leader in the temporary employment sector, took over Syntex, a Milan-based company specialized in personnel recruitment. The takeover was designed to promote a strategy aimed at speeding up the introduction of temporary employment in Italy, a new market with potential. As a result of the takeover and the efforts of the Italian management of Syntex, lobbying was carried out to raise awareness about temporary employment and to promote it in an attractive market.

Due to the lack of formal organizations and associations, the lobbying and legitimation process was initially undertaken by various non-institutional actors: Italian companies providing consultancy services in the field of human resource management and interested in expanding their sphere of action and therefore in encouraging the implementation of agency work in firms. The entry of these actors in the Italian labor market undoubtedly encouraged the legitimation process, through trade press articles and the organization of seminars, workshops and conventions addressed to trade unions, opinion leaders in the printing and publishing sectors, labor policy makers of leading political parties and representatives of associations (Confindustria and Confcommercio). In particular, a series of seminars were organized in conjunction with Confcommercio (the Italian Confederation of Commerce) to promote the use of agency work among labor consultants and associations of skilled professionals.

As part of a parallel and complementary initiative to raise awareness about temporary agency work, these companies sought to forge alliances—to counter opposition and put pressure on management and labor representatives—with business associations, political parties, trade unions, professionals, and all those parties interested in the introduction of this new form of contract. Simultaneously, an equally important role was played by several actors operating within political institutions and trade unions who was supportive and effective for promoting understanding of this contract. They became the spokespeople for promoting agency work within their respective organizations. At the beginning of the 1990s, there were three main events characterizing the incubation period: the first two weak and the last one strong.

1. the European Union Directive 91/383/EEC of 25 June 1991 which encourages national governments to change legislation to increase levels of employment by appealing to greater flexibility in the labor market;
2. the Decree no. 1 of 5 January 1993, also known as the “Mazzocca” Decree, designed to introduce temporary employment but never passed by parliament nor reintroduced by the government;
3. the “social pact” signed on 23 July 1993 by the Government, trade unions and enterprises associations, which provided for the introduction of agency contracts in Italy. For the very first time, Italian trade unions had agreed to the introduction of temporary agency work and it is a landmark in the institutionalization process because it changed the terms of the debate and shifted the focus from ideological problems to issues related to the definition of the institution’s characteristics.

Between 1993 and 1997, intense negotiations took place aimed at deciding which type of model to introduce into Italian labor law in relation to the status of the agency worker, the sphere of application of this form of employment and the role of companies. Within this context, foreign multinational agencies continued to play an important role in the promotion and implementation of agency work. This process led in late 1993 to the establishment of the “Club di Milano”,

an organization comprising the leading multinational temporary work agencies (Adia, Ecco, Vedior, Manpower and Randstad). In 1996 lobbying intensified and Assilt was set up with the support of the “Club di Milano”. Assilt was an association whose members include not only several multinationals but also various small Italian firms that began to view agency work as a real market opportunity. An important issue that emerged during the incubation phase concerned the status of the agency worker. The debate slowed down the legitimisation process in Italy and led to clashes between aspiring operators in the sector and trade unions. On the one hand, the trade unions argued that agency workers should be taken on full time by agencies with an allowance for the periods when they were not working while, on the other hand, the agencies viewed this ideas as an obstacle to the development of the sector.

Towards the end of 1996, there was another battleground concerning the identification of the requirements and obligations to which the aspiring temporary work agencies should be bound. Trade unions strongly pushed towards the introduction strict requirements for access to the agency work market including the following: the obligatory presence of an agency in more than one region with multiple branches, the availability of a set company capital, the need for a sizable security deposit and an exclusive business purpose. This was designed to ensure the entrance of medium-sized firms and large companies and to prevent access to unprofessional operators.

In 1997, after a long process, the so-called Treu Law (Law 196/1997 and related legislative and Ministerial provisions) was approved. This law formalized the agency work in Italy and legalized the activities of the TWAs by defining the structural characteristics and limiting their scope to the management of agency work.

3.2.2 *Emergence Phase (1997–2002)*

The Treu law³ outlined a regulatory framework for TWAs in Italy. It profoundly affected the emergence of the sector in Italy, imposing a series of restrictions and obligations that formally defined the legitimating template for TWAs. For example, it includes a ban on replacing striking workers, a ban on replacing workers in firms that had made employees redundant in the last two months and in firms that were being downsized or on work that required special medical supervision (Consiglio and Moschera 2001b; 2005; Consiglio et al. 2010, 2011; Moschera et al. 2011).

The law also introduced the obligation to provide training for agency workers; each agency was required to pay 4 % (for each contract) of the sum paid to workers in a fund for Formatemp training activities (see infra). In January 1998 the first

³The Treu Law (Law 196/97) “Norme in materia di promozione dell’occupazione” (Regulations regarding the promotion of employment) takes its name from its promoter, the then Minister of Labour Tiziano Treu.

eleven agencies were authorized and began to provide agency work services. By the end of 2002 there were 70 agencies in Italy.

The sector underwent a phase of extremely rapid growth. From 1997 to 2002 agency turnover rose from 128 thousand euro to over 3 million euro; agency branches also rose in number from 400 to more than 2000 while the number of employees increased from 1360 to almost 7000. The data shows that the Treu law had effectively created a new economic sector capable of achieving exponential growth in a period of just over five years.

During this phase, the Treu law also led to the creation of two bilateral organizations—Ebitemp and Formatemp (see *infra*) which provided a link between trade unions and trade and enterprises associations. These organizations perform two roles: on the one hand, they run funding and services (primarily, training services) while, on the other hand, they provide a discussion forum that facilitates the sharing and expression of ideas between the parties involved (agencies and trade unions) and helps to forge collaborative relations between them.

In 2000, the agencies that were operational at the time decided to group together into three different associations different associations (Confinterim, AILT, APLA) which played a crucial institutional role, not just in carrying out lobbying strategies, but especially in providing information to reinforce the social legitimacy of agency work. It is worth emphasizing the role of trade and enterprises associations which, from 2000 onwards, became involved in reinforcing the social acceptance of agency work and encouraging the creation of a new legislative framework aimed at abolishing the obligation of the exclusive business purpose and introducing staff leasing. Several events during the early phase influenced and altered the agency work sector. On June 11th 2011 the rise of the second Berlusconi government marked the beginning of a period characterized by a number of actions aimed at liberalizing and deregulate the Italian labor market. The then Minister of Labor, Roberto Maroni, set up a commission coordinated by Maurizio Sacconi and Marco Biagi (Professor of Labor Law at the University of Modena) to draft the “White Book” (*Libro Bianco*) (October 2001). The “Libro Bianco” provided a starting point for the government’s proposed reforms which eventually culminated in Law 848/2001. The reforms during this period made a significant contribution to promoting a greater flexibility within the Italian labor market and gave impetus to the drive to deregulation. The government also began to challenge article 18 of the Workers’ Charter (*Statuto dei lavoratori*) (Law 300/1970), although the CGIL trade union federation made concerted efforts to preserve the article. Within this atmosphere of controversy and discord, the Red Brigades killed Professor Biagi in 2002. In July 2002, a further national agreement regarding labor reforms and flexible employment was signed between the government and the trade unions although the CGIL was not a signatory. However, it should be emphasized that this event created a split within the trade unions and weakening the highly regulated Italian labor market.

Against this background of reforms, the Government’s strategy came to the definition of the Law 30/2003 and the implementation of Legal Decree No. 276 of 10 September 2003 modifying once again the legislative framework of the Italian labor market.

3.2.3 *Development Phase (2003–2007)*

Law 30 of 2003, better known as the Biagi Law (together with Decree 276/2003),⁴ marked the beginning of the development phase, bringing in various changes that were to have a significant influence on the sector evolution. The Biagi Law was designed to replace the Treu Law by making several additions and modifications. The reform's innovative features consisted of the following:

1. the repeal of the “prohibition of employment brokerage” (pursuant to Law 1369/1960);
2. the repeal of the obligation to have a single business purpose: this enabled all employment agencies to enter the labor market by diversifying their range of services which not only included employment services but also a series of additional, related services (training, outplacement, staff leasing, job placement, etc.);
3. the introduction of staff leasing.

This was a highly influential legislative instrument that led to a stronger liberalization of the labor market. Moreover, the Law concerns to a series of guarantees in favor of agency workers: primarily, financial aid as well as, in line with the Treu Law provisions, continuous training as an indispensable social tool for ensuring the professional development of agency workers (Consiglio and Moschera 2005; Consiglio et al. 2010, 2011; Moschera et al. 2011).

In particular, in 2003, Decree no. 276 of 10 September set up a bilateral organization known as Ebiref which provided an allowance and training for agency workers taken on a permanent basis (with a permanent agency contract) by TWAs. Despite the drive towards deregulation, the Biagi Law preserved several restrictions and obligations on the use of agency work (such as the ban on replacing striking workers), the rules on renewing and extending contracts, as well as the guarantees safeguarding workers' rights enshrined in the Workers' Charter (*Statuto dei Lavoratori*).

Moreover, the law also provided for the setting up of a single register of all the legally recognized and operating TWAs with the Ministry of labor, in order to establish a single authorization system for TWAs. Within this context, it is worth mentioning some figures related to the growth of the sector during this phase. In this period the number of agencies increased significantly until 2006. Turnover also increased until 2007, reaching about 6400 million euro. The same situation was true for branches and employees whose numbers increased until 2007 (especially employees whose number grew to over 10,000).

⁴The so-called Biagi Law (Law 30/2003) “Delega al Governo in materia di occupazione e mercato del lavoro” (Enabling law related to employment and the labour market) takes its name from its promoter Professor Marco Biagi. In this case too, rhetoric played a role in the clashes between the various parties involved: those who sought to delegitimise Law 30/2003 never referred to it as the Biagi Law—and even argued it was improper to do so—and emphasised alleged differences between the final text and the references to the “Libro Bianco”.

Interestingly, despite the ideological clashes that surrounded it, the Biagi Law did not have the expected impact on the agency sector, unlike the Treu law.

For example, agencies were rather reluctant to take advantage of the new opportunities to enter new sectors by offering a wider range of additional services to client firms, instead opting to focus on the specific field of agency work. Indeed, it is worth underlining that the turnover for “additional” services was relatively insignificant (3 %) and did not increase over the period under analysis.

In May 2006 the centre left coalition led by Romano Prodi won the elections with a manifesto that included, as a key issue, the aim of reducing job insecurity. The trend towards neo liberalism and greater deregulation of the labor market decreased with the new government. The Prodi government introduced amendments to the Biagi Law, abolishing staff leasing (no. 247/2007). However, this amendment appeared to be a largely symbolic measure since staff leasing had been used by extremely few TWAs and had involved only a few thousand workers in the whole of Italy.

The short-lived Prodi government (2006–2008) therefore failed to have an incisive effect on legislation and the election of the fourth Berlusconi government, with the Labor Ministry headed by Maurizio Sacconi (co-author of the “Libro Bianco” on the labor market together with Marco Biagi), marked a renewed phase of more extensive deregulation.

3.2.4 Crisis and Current Phase (2008–2015)

After 2008 the sector have been affected by the global economic and financial crisis. The collapse in demand of agency contracts sent shock waves through the sector since very few agencies had predicted such a serious crisis (Moschera et al. 2011). The optimistic expectations and predictions of 2006/2007 which appeared in interviews with the managers of several agencies or the shareholder reports of the annual financial statements of 2008 proved completely groundless. Until September 2008 (the moment we identify with the start of the crisis), TWAs operated in a sector that had witnessed constant growth from the outset (with growth rates that often reached 10 %). The figures for the period 2008–2009 show the dramatic restructuring and reduction of the agency sector: in particular, turnover returned to the levels of the previous four years, completely cancelling the extraordinary development of the three-year period 2006–2008. From 2009 turnover increased again reaching about 6400 million euro in 2011, although it fell to about 6100 million euro in 2014. As far as concerning other figures, the number branches and employees as a result of the economic crisis decreased from 2007 (especially employees whose number fall to 9800 in 2011).

On 23 December 2009, as part of the 2010 Budget (Law no. 191 “Disposizioni per la formazione del bilancio annuale e pluriennale dello Stato” [measures for the formation of annual and long-term budget]) the Italian parliament passed a series of measures designed to tackle the crisis that ravaged the world economy and

reinforced the role of Italian TWAs. In particular, they included several innovations in the existing legislation that encouraged TWAs and reinforced their position within the labor market, extending their sphere of action in three significant directions:

1. entrusting TWAs an important role in the employment policies by assigning them outplacement functions and introducing the principle of “a causality”⁵ to employment contracts for workers on redundancy schemes;
2. removing a series of conditions in favor of fixed-term contracts, making this form of contract with agency work by equalizing the causes of the ban;
3. reinforcing the multifunctional role of TWAs through the re-introduction of staff leasing.

Further changes were introduced by the reform of the labor market contained in law 92/2012 which, according to statistics released by the Ministry, created “a reshuffling of types of employment contract that went in the direction sought by the law”. The new legislative framework intervened on various points, introducing modifications to the various types of employment contract. Outsourced work and fixed-term contracts were used in an “a causal” way for the first employment contract. Moreover, during 2014 and 2015 further changes were introduced. A new reform of the labor market (Jobs Act) has designed new measures for work agency on a permanent basis), introducing among others, the “a causality” principle for agency work and staff leasing.

3.3 The Regulatory Framework

Compared to other sectors, the TWA sector is very strongly conditioned by legal regulations that affect the strategic and organizational behavior of the actors involved.

The labor market in Italy has a large number of players (institutions, private firms, public administration, workers and jobseekers, trade unions etc.) that have to conform to and observe a highly specific and complex legislative framework which affects them fairly directly (Consiglio and Moschera 2001b, 2005, 2008, 2010).

⁵The concept of “a causality” refers to two types of contract: the fixed term contract and the agency contract which can only be activated if there are reasons for resorting to them, whether technical, productive, organizational or substitutive. If the reason for using these types of contract does not need to be specified, the contract is referred to as an “a-causal” contract. The introduction of the principle of “a causality” for agency contracts for workers on redundancy schemes enables TWAs to provide workers even without justification (i.e. specifying the reasons for using temporary workers). However, the reform of Law no. 92/2012 means that the cause no longer has to be specified even for the first temporary agency contract “lasting not more than twelve months”; this principle can also be applied in the case “of the first assignment of a worker regarding a temporary agency contract in accordance with paragraph 4, article 20, Decree 10.9.2003, no. 276”.

The main objectives of this paragraph and following ones are:

- (1) to illustrate the features of the labor market legislative regulation in Italy and Europe;
- (2) to analyse the agency work in Italy;
- (3) to analyse the impact of legislation on the institutional and organizational structure of TWAs;
- (4) to analyse several organizational dimensions of TAW compared to other types of employment contracts.

From 1997, the year when agency work was introduced into the Italian labor law, to the present, the regulation of labor market in Italy underwent significant changes that profoundly affected the features of the sector. The current legislative framework of labor law in general and agency work in particular have been influenced by the following events:

- the “Libro Bianco” on the Italian labor market published in 2001 and the associated enabling bill no. 848;
- the agreement with the trade unions signed on 5 July 2002, known as “Pact for Italy”;
- the Law no. 30 of 14 February 2003 and Decree no. 276 of 10 September 2003;
- the ministerial decrees of 23 December 2003 and 5 May 2004;
- Law n. 191 (“*Disposizioni per la formazione del bilancio annuale e pluriennale dello Stato*” [measures for the formation of annual and long-term budget])
- Law n. 92/2012;
- Job Act (Decree n. 78/2014, Law 183/2014, Decree n. 34/2014, Legislative Decree 22/2015 and Decree n. 81/2015).

Besides introducing new measures or regulating existing measures related to employment services (agency work, fixed term work, staff leasing, intermittent work, work sharing, apprenticeships, starter contracts, occasional work, project-based work, part-time work, etc.), the above-mentioned regulations have had an impact on the general labor market system in Italy. As well as the attempt to systematise a sector regulated by various laws and measures, the reform was inspired by the aim to deregulate the labor market in the wake of what had taken place, or was already underway, in other European countries, according to the general approach of European Union policies.

Far-reaching changes took place in the system of employment services in terms of training, recruitment, selection and intermediation. All this happened within the context of a process of partial deregulation of the market with the introduction of new private operators to provide employment services and a significant first step towards decentralization to Italian regional governments.

3.3.1 Agency Work in Italy

As told above, the agency work was introduced into the Italian labor law in 1997 and then reformed in 2003 (Law 196/1997—Treu Law; Law Decree 276/2003—Biagi Law).

The law decree of 2003 contained about 90 new legislative measures. It supplemented, renewed or, with relatively explicit annulments, replaced the legislative framework that had previously been in force. One of the key points of the reform consists of the more extensive abolition of the ban on intermediation and intervention (pursuant to Law 1369/1960), which had already begun with the 1997 reform. Articles 20 to 28 of the Decree 276/2003, implementing the Delegated Law no. 30, repealed both the regulations of the Treu law (articles 1-11) However, this step towards a more highly deregulated labor market was accompanied by a series of guarantees in the legislation designed mainly for “intermediated workers”: these include direct guarantees, such as the financial guarantees requested, or indirect ones provided by the complex system of authorization, sanctions and controls. Simultaneously, the new model of temporary work also included “social” support tools: training remained an important aspect for ensuring the potential professional development of agency workers.

The Biagi Law and also the former Treu Law focus on three main aspects:

1. the triangular relationship that identifies the situations in which agency contracts can be used;
2. the role of collective bargaining;
3. the authorization process required for registration in the Ministry Register.

Agency work involves a triangular relationship between three parties, regulated by two interrelated contracts. The following parties are involved: the user of the service, the worker providing the service and the agency that provides the service. The user, which may be either a firm or the public administration, is the party that makes use of the services of the agency worker. The person providing agency work is someone who is taken on by an agency and provides services on behalf of, and under the control of, the user. The TWA is the party authorized to provide agency work. The first contract that regulates the triangular relationship is the contract drawn up between the agency and the user organization and is a commercial contract providing agency work or staff leasing. The second contract regulates the subordinate relationship between the agency and the worker (in the case of temporary work, the relationship is subject to the general regulations of fixed term contracts where this is compatible). According to the Italian legislation, TWAs can employ workers on a temporary basis and, for specific high demanded profiles, also on a permanent basis (Consiglio and Cicellin 2012). In this case too, although there is no direct contract between the worker and the user, the two contracts provide rights, duties, powers and obligations (e.g. safety in the workplace, authority to manage the worker etc.). The triangular relationship consists of different exchanges between the parties involved:

- the TWA receives a payment (the cost of labor plus a mark-up) from the user, in exchange for the services of the worker (including the search and selection of the worker, pay rolling, etc.) and accessory services (such as training);
- the worker receives payment from the agency as well as the administration services of the relationship (social security payments etc.) while the agency exerts disciplinary power;
- the user has management power and control over the agency worker.

With regard to the reasons for using agency work with the introduction of the Jobs Act (Decree n.81/2015) the regulations no longer refer to specific reasons for resorting to them.

It is possible to discern the underlying philosophy that modified the fixed-term contract with Decree 368/2001. The model of “contractual flexibility” in Law 196/1997, with a focus on collective bargaining agreement, becomes a model where the bargaining process sets quantitative limits on use. However, collective bargaining does play an important role in setting a limit on the number of workers employed by a single firm. According to the changes introduced by the Job Act the quotas set by the legislation⁶ do not include agency work in the case of unemployed or disadvantaged workers or in case of workers registered in redundancy lists.

- events with a limited duration (e.g. media shows, sports events);
- workload increasing during certain periods of the year.

Further objective restrictions, which are delegated to the bargaining process, concern the duration of tasks for the start-up phase of new activities, or for employment in areas affected by high unemployment. Due to the widening of the legislation to fixed-term contracts, the reasons that limit restrictions also include several “subjective” factors, linked to the agency worker, in order to favour of workers facing redundancy and elderly workers and to encourage the entrance of young people into the labor market.

The restrictions on the use of agency worker still remain in the Job act as in both Biagi Law and Treu Law, with a few modifications. It cannot be used to replace striking workers, in firms that have not assessed the risks and in firms that have carried out large scale redundancies in the previous six months (as opposed to 12 months in the previous regulations). In the latter case, collective bargaining can lead to an exception from the ban.

Another important part of the new regulatory framework regards extensions and renewal. The former involves the following requirements: a precise reason, with the employer required to provide the burden of proof; the agreement of the worker and a written document, but retaining the limits set by collective bargaining. The most important new feature is the chance to renew, without specific limitations, agency contracts between the agency and workers. The contractual relationship that binds

⁶Job act introduce a quantitative limit on the number of permanent agency workers employed by a single firm for (they must not exceed 20 % of workers employed with permanent full time contracts).

the worker to the agency falls, where compatible, within the regulatory framework of fixed-term contracts. The extension of the contract is permitted in written form and with the consensus of the worker, but the enforceability and duration depends on the regulations of the collective national contract applied by the TWA. The principle of parity of treatment (both economic and statutory treatment with respect to the workers employed by the user organization on the same pay grade) and the principle of joint liability still hold. In addition, the following conditions apply: the right to results-based bonuses where provided for, the health and safety obligations for which the agency and the user are responsible, and the obligation to pay 4 % of the sum given to workers into a fund for training activities (Forma.Temp 2002).

Compared to the previous legislation (the Treu Law), a new aspect is the nullity of the clauses designed to prevent the user from hiring workers when the agency contract ends. In fact, the Biagi Law considers the possibility in order to increase the worker's "loyalty" to the agency but must be compensated for by an allowance set by the national collective bargaining agreement of the TWA). A further legislative feature is the possibility of certain types of (highly skilled) workers paying a fee to intermediaries or supplying agencies for the employment services rendered. Agency workers have trade union rights set out in the Workers' Charter which can be exercised for trade union activities at the company using the services. In particular, they are entitled to meet on the agency premises or in suitable premises made available to them. The user firm is required to inform the trade union (or local associations) of the use of agency work in advance or within five days following the event, if there are well-founded reasons. Moreover the user has to provide details of the reasons and the number of workers involved. The legislation also provides for the creation of a single register for operators in the labor market, including TWAs, simultaneously introducing a single authorization system. There had previously been various administrative procedures authorizing operators in the labor market (for example, mediation required registration in special lists; accreditation procedures existed for recruitment, selection and outplacement companies). The current regulations have created a single register at the Minister of Labor and Social Policy. The register is divided into five sections:

- (a) section I is reserved for general TWAs which are authorized to provide all types of temporary or permanent agency work and;
- (b) section II is reserved for specialist work agencies which are authorized to provide staff leasing exclusively for one of the activities described in article 20, paragraph 3;
- (c) section III is reserved for intermediation agencies;
- (d) section IV is reserved for the recruitment agencies;
- (e) section V is reserved for agencies providing outplacement.

Registration involves several general requirements for all the sections and other specific requirements for particular types of agency. The following list concerns the general requirements:

- (a) a legal status (limited company or cooperative or consortium of cooperatives, Italian or from another member state of the European Union, with an office in Italy or another EU state);
- (b) suitable offices and adequate professional skills, which can be demonstrated either through qualifications or experience, in the relevant sector;
- (c) the integrity of the administrator, general partners, executives with an agency mandate, and general managers;
- (d) in the case of TWAs without an exclusive business purpose, the existence of distinct operational divisions, run with analytical book-keeping procedures that provide details of specific economic and management data;
- (e) interconnection with “Cliclavoro” (the Italian job exchange portal) and the obligation to send all information related to the labor market to the Ministry of Labor and Social Policies;
- (f) respect for the safeguard of workers’ rights regarding handling of their personal data.

An analysis of the requirements also shows another change compared to the “old” companies providing temporary work services: the abolition of the principle of the exclusive business purpose. Agencies have finally had the long-desired chance to carry out other activities, creating important synergies, related to the whole range of employment services, although providing agency work remained the main activity.

3.3.2 The Impact of the Legislation on the Institutional and Organizational Structure of TWAs

The main impact of the Law Decree 276/2003 on the organizational macrostructure and institutional structure of TWAs has been to define a series of minimum requirements for gaining authorization to operate. As told above, the new legislation eliminated the restriction on the exclusive business purpose even though providing agency work has to be the main purpose. This innovative aspect opened up new markets for TWAs which could potentially meet new types of need by modifying or revolutionizing their own organizational structure. TWAs would be required to carry out their activities by covering the whole of Italy and should be established in at least four Regions. All the minimum starter features were described in more detail in the Ministerial Decree of May 5th 2004. The decree stated that staff of the TWAs had to have appropriate professional expertise which could also derive from professional experience (at least two years) gained as an executive, manager, official or professional in the following fields: personnel management or personnel recruitment and selection; the supply of agency work; outplacement; employment services; professional training; careers guidance; matching the demand and supply of work; experience in the field of trade union relations. The decree also contained a further obligation which prompted agencies to undertake organizational

“formalization”: each of the organizational units has to display a detailed chart of company functions indicating the specific skills of the staff and the name of the head of the unit. Among the minimum requirements for the agency’s geographical distribution, the decree states that the central office, which can substitute the regional branch, must contain at least two people with the aforementioned professional skills. The four branch offices the law provides for must also have at least two staff members with the same qualitative and quantitative professional skills. The other branches not included in the minimum arrangement must also have two qualified employees (without specific reference to the professional skills required) who should be “adequate” for carrying out the specific authorized activity. Subsequent ministerial circulars clarified that these employees must have work experience (without specifying the seniority) in one of the sectors described in the Ministerial Decree of 5 May 2004, or must have a qualification (degree or training courses) relevant to the activities undertaken by the agency. The workers in the branches must be hired by the agency but there is no obligation to employ them with permanent contract.

From the organizational perspective, it is interesting to note the obligation for multi-functional agencies to make clear distinctions between different divisions which must have separate book keeping procedures according to the different types of activity undertaken and the obligation to provide relevant information about the labor market to the Ministry of Labor. The above-mentioned obligations are based on a twofold objective: to ensure control over the various activities and to obtain information about the labor market.

The choices of organizational structure also include regional accreditation procedures and access to the job exchange portal (*Cliclavoro*). Regional governments are required to create a list for the accreditation of all public and private operators that provide employment services, as well as defining the procedures and the requirements for registration. Regional legislation must also regulate the procedures for cooperation and communication between private operators and public services. Despite the legislative independence of Italy’s Regional Governments, national legislation indicates the general requirements for accreditation (Table 3.2):

- (1) the user’s right to choose freely between the services provided by the regional network;
- (2) respect for national standards regarding checks on the state of unemployment;
- (3) the creation of regional service networks;
- (4) the connection with the national work exchange portal;
- (5) the link with the regional system of accreditation of training organizations.

Although the 2003 reform was inspired by the attempt to rationalize and systematize a highly complex sector which until then had been regulated by various types of legislation, there are several weak points that we want to mention. The first aspect that conditioned the approach of operators in the sector was undoubtedly linked to the numerous postponements to subsequent phases and laws in order to achieve a complete and precise regulatory framework for the tools that had been

Table 3.2 A comparison between the restrictions of the Treu Law and Biagi Law

	1997 Treu law	2003 Reform
Minimum number of branches	4 in 4 regions	4 in 4 regions
Fully paid-up share capital	Not less than a billion lire (516,456.9 euro)	Not less than 600,000 euro ^a
Business purpose	Exclusive	Not exclusive but with a main purpose
Legal status	Joint stock company or cooperative	Joint stock company, cooperative or consortium of cooperatives
Company name	Explicit reference to business purpose	No specific obligation
Professional skills	For the management and employees of the branch	For the management and employees of the branch
Guarantees for workers' credits	Security deposit of 700 million lire (361,519.83 euro); can be replaced in the third year by a bank or insurance guarantee of not less than 5 % of the previous year's turnover and, in any case, not less than 700 million lire (361,519.83 euro)	Security deposit for the first two years of 350,000 euro; from the third year a bank or insurance guarantee of not less than 5 % of the previous year's turnover and, in any case, not less than 350,000 euro
Availability of suitable physical structures	Yes	Yes

^aOr the availability of at least 600,000 euro in paid up capital and reserves unavailable for distribution in the case of cooperatives

Source Our elaboration

introduced. The two years following the Law witnessed numerous legislative measures come in succession (decrees and ministerial circulars) which prevented operators from having a clear and well-defined legislative framework within which to operate. The same can be said for the numerous postponements of the collective bargaining process; on the one hand, they enabled an important social partner to gain access to the system of controls and regulations while, on the other hand, they created greater uncertainty among the agencies which were trying to plan expansion into various sectors. The second aspect that conditioned operators was the lack of a parallel reform of welfare policies. Even today, the Italian system still appears to favor and ease "standard" workers. In other words a great difference between standard workers and contingent workers still remains, in terms of job insecurity (for example, an agency worker can still experiences problems trying to get a loan for purchasing a house). However, given the lack of state intervention, it is worth highlighting that the "market" has stepped in first to fill several gaps stemming from new needs that have arisen due to the spread of agency work in Italy. In terms of lending money to agency workers, for example, several banks have promoted, in conjunction with the bilateral organizations (Ebitemp and Formatemp, *infra*), new types of mortgages designed around the loan needs and guarantees of these workers.

Finally, although the Biagi Law did provide for tools to enable certain categories of disadvantaged workers (young people, older workers etc.) to enter or re-enter the labor market, the issue has not been dealt with on a general basis and trade unions, management and the government have still not agreed on the underlying philosophy that should underpin the new Italian welfare system. In this sense, in our interviewees the agencies' management declares that in 79 % of cases, the lack of a structured welfare system catering for the needs of agency workers as a serious obstacle to the development of outsourced work.

3.4 The Alternative Forms of Employment

In Italy, a firm has the chance of drawing on a wide range of tools other than the traditional full-time permanent contract. In particular, other forms of employment include the following: the part-time permanent contract, fixed-term contract, on-call work, job sharing, the starter contract, apprenticeships, the project-based contract, the professional consultancy contract, the occasional professional service contract, temporary and permanent agency contract and the staff leasing contract. A firm can also contract out work, entrusting a firm with the task of performing a series of activities on behalf of the organization.

The understanding of the characteristics and specific features of the various forms of employment is essential for a firm to make a cautious and informed choice of the most suitable tool for the type of task the worker is required to carry out and for an agency to identify the various tools available and to be aware of the pros and cons of each of them. Since each type of contract has its own distinctive features, it is important to know the advantages and disadvantages of each of them. In order to compare alternative forms of employment, a series of analytical dimensions can be identified that make it possible to analyse the main differences between them. The different forms of employment can be distinguished on the basis of four main organizational dimensions:

- relational dimension;
- management and control dimension;
- temporal dimension;
- exclusiveness dimension.

Relational dimension. The first aspect differentiates the forms of work on the basis of the type of relationship between the firm and the worker. This relationship can take three main forms:

1. a direct relationship (worker–firm);
2. an intermediated relationship (worker–agency–firm);
3. an indirect relationship (worker–firm–firm).

1. The direct relationship regards all forms of work where the user firm has authority and is either the employer or client of the worker/service provider. This is the case for example in the fixed-term contract, on-call work, project-based contract and professional consulting etc. However, it should be noted that the direct relationship can be differentiated between relationships that take place within organizational boundaries (internal direct relationships) and other ties that define the client/supplier relations between the firm and the service provider (external direct relationships). In the first type, the worker remains within the organizational boundaries of the firm and is an employee. In the second case, workers are not the firm's employees but professionals with a VAT number who have a market-based relationship with the organization. In the case of the standard employment contract, the firm maintains all the responsibilities for the management of the worker in relation to all aspects related to hierarchical control and to administrative and operational management.

2. The intermediated relationship is marked by the fact that the worker, while performing a service under the direct control of the firm, is employed by a different organization. An example is the agency work where the worker, who operates for the user firm, has a contract with the TWA. In this case, the administrative management of the worker is delegated to the intermediary, in particular the agency, while the user firm has the managerial and control authority over the worker sent by the agency. The use of an intermediated contract enables the user firm to "off load" onto the intermediary all problems related to the expiration of the relationship with the worker and a large part of any legal action brought by the worker.

3. The indirect relationship regards all forms of work where the worker provides a service for a firm while under contract with another company, linked by a tender contract to the former. In this case, the user firm of the worker's services delegates to the contractor firm the administrative management of the worker, hierarchical control and the operational management of the individual. An example is when a worker carries out cleaning services for an organization but has a work contract with a facility management company, or a call centre operator that looks after the customer care of a company but has a work contract with a service company. When referring to relationships of this kind, a further difference relates to the place where the work is carried out. It is possible to imagine two possible situations: the first is when the firm providing the service operates on the premises of the firm that purchases the service; the second regards work which, besides being coordinated and run by the service company, is actually performed within its own premises. The first case is described as insourcing involving in-house projects and defines the service provider as the contractor company, while the second case can be described as outsourcing and the service provider is defined as a sub-contractor.

Management and control dimension The second aspect makes it possible to differentiate the various forms of work on the basis of the degree of control exerted by the firm over the task performed by the worker. The firm's control is high when it has managerial and hierarchical authority over the worker. Usually, all the forms of dependent employment (direct relation employee-employer) have these features

(permanent contract, part-time contract, fixed term contract, job sharing, on-call work, starter contracts, etc.). The forms of work with a high level of control by the firm also include others such as agency work and staff leasing. These forms of intermediated work place workers under the authority of the user firm where they are sent to work. In the case of agency work, the firm can undoubtedly exert a high degree of control because, despite being an interim contract, workers are under the control of the firm where they have been sent. However, as already mentioned, the employer of an agency worker is not the firm (which only has the authority to manage and inform the worker) but rather the agency which has disciplinary power. The agency carries out a series of initiatives designed to monitor the performance of the worker but the user firm has the authority to manage workers and enhance their skills and capacities as well as to check the results that have been achieved. This rather ambiguous situation means that the worker has to establish a dual hierarchical relationship with the firm and the agency at the same time, often leading to management problems and influencing the behavior of workers (Guest et al. 2010; Cicellin et al. 2014a, b, c). This situation becomes even more complex and has a greater effect on the worker when the job involved involves a lengthy time period with the same user firm or in cases of long-term agency contracts. The degree of control is limited when the worker, while performing an activity, is not hierarchically answerable to the firm but to the contents of the contract drawn up with it; this is case with consulting contracts, project-based contracts and occasional service contracts. However, it should be highlighted that the project-based contract, even when “managed independently by the freelancer on the basis of the result”, must take account of the “client’s [need to] coordinate” activities (article 61, Decree 276/2003). This form of work does not involve the restriction of subordination but does, in reality, ensure that the firm has a certain degree of control over the worker’s activity. In the case of a tender, the hierarchical control of the sub-contractor is low, as is the independence of the worker who is under the authority of the contractor.

Temporal dimension This dimension differentiates between forms of work according to the length of the relationship; with regard to this aspect, it is possible to distinguish between fixed-term employment and permanent full-time employment relationship. The first is a contract with a written time limit. This type of work relationship restricts stability and ensures greater flexibility for the firm since it significantly reduces the costs of terminating the relationship. Firms can draw up fixed term employment relationships with their own employees (fixed-term contract) or with external consultants (project-based contract, occasional service). The new forms of work are generally referred to as temporary. The existence of a limit to the working relationship is considered by many scholars to be the main factor that distinguishes a standard working relationship (full-time permanent contract) from other forms of work. In reality, the new forms of employment used by the client firm do not necessarily imply fixed-term working relationships for workers.

There are workers who are taken on a permanent basis by the TWA and are sent to do temporary jobs at different users (see Table 3.3).

Table 3.3 Types of relationships between TWAs and workers—user firms in the agency work

Relationship between agency and worker	Permanent basis	2. Temporary agency work with permanent agency workers	3. <i>Staff leasing</i> with permanent agency workers
	Temporary basis	1. Temporary agency work with temporary agency workers	4. <i>Staff leasing</i> with temporary agency workers
		Temporary basis	<i>Staff leasing</i>
		Relationship between agency and user firm	

Source Adapted from Consiglio and Cicellin (2012)

In this case, the temporary nature of the relationship between the worker and the user firm where the first one carried out the task emerges because the worker is essentially a full-time employee of the agency, ensuring greater stability and security. Other workers are taken on full-time work for staff leasing agencies, as well as for companies that provide outsourcing services or consultancy services. In these cases, a temporary relationship is created between the worker and the organization where the worker carries out an activity (the user in the case of agency work); nevertheless, the worker may have a full-time employment contract.

This aspect is of crucial importance since “new” forms of employment, including agency work, have always been considered as contingent employment relationships which last only a restricted period. The fixed nature of the relationship has often been stigmatized, especially during the 1990s, in much of the specialist literature since it has been regarded as a factor that leads to de motivation and lower productivity of temporary workers as well as being a source of conflict between these workers and their permanent colleagues (e.g. Polivka 1996; Broschak and Davis-Blake 1998; Becker and Christensen 1998; Bergstrom 2001; Bergstrom 2002). All these aspects have frequently led to discrimination against agency work as opposed to “standard” forms of employment.

Exclusiveness dimension The fourth dimension that distinguishes forms of work is the exclusiveness of the relationship. As far as concern this dimension, the forms of work can be divided into two main types: exclusive employment relationships and non-exclusive employment relationships. The exclusive employment relationships involve a sole continuous relationship between the worker and the firm over a pre-defined period. The quintessential exclusive employment relationship corresponds to the full-time permanent contract. Workers with this type of contract are required to provide work services exclusively to the firm with which they have signed an employment contract.

However, exclusive employment relationships also exist in the “new” forms of work. Examples include fixed term employment or agency work involving long-term assignments of work at other firms with timetables similar to those of a worker with a full-time contract, or the permanent agency contract mentioned above. In various cases, project work also has a high degree of exclusiveness since the worker is required to perform an activity for a long period in a single organization.

Non-exclusive employment relationships can be defined as those where the ties between the worker and the firm are more sporadic. In these cases, the worker provides services to several organizations during the same period (from a month to a year). Examples include professional consulting (work consultants or accountants who provide services for a large number of SMEs) or agency workers whose assignments of work are short or extremely brief.

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Chapter 4

The Actors in the Italian Temporary Work Agencies' Field

Abstract In this chapter we identify the numerous actors who operate in the field, employing different strategies, objectives and behavior. The research focuses on the dynamics of the sector and the strategic and organizational behavior of Italian TWAs. Moreover, this chapter seeks to provide a brief overview of the main features of the following players involved in the field: users (public and private firms); agency workers; trade unions; work agency trade associations; the State; bilateral organizations; competitors of TWAs. In particular we analyze the strategic and organizational reasons and workers motivations in the use of agency works and therefore to seek help from TWAs. The examination of this framework allow us to focus in the next chapter on the analysis of the private employment agencies (TWAs) operating in Italy, in terms of organizational forms, strategies, behavior and trends of development.

Keywords Italian temporary work agencies · Actors · Behaviors

4.1 Introduction

In the previous chapter we have analyzed the different phases that have characterize the development of the temporary work agency sector in Italy. In this chapter we focus and identify the numerous actors who operate in the field, employing different strategies, objectives and behavior. The research focused on the dynamics of the sector and the strategic and organizational behavior of Italian TWAs (Consiglio and Moschera 2001b, 2002, 2008, 2010).

This chapter seeks to provide a brief overview of the main features of the following players involved in the field:

- users (public and private firms);
- agency workers;
- trade unions;
- work agency trade associations;
- the State;

- bilateral organizations;
- competitors of TWAs.

The examination of this framework allow us to focus in the next chapter on the analysis of the private employment agencies (TWAs) operating in Italy, in terms of organizational forms, strategies, behavior and trends of development.

4.2 User Firms

Organizations in search of new workers represent the main clients of TWAs. When there is a need for human resources. In terms of demand, the main market of TWAs therefore consists of all structures such as private companies, public administration, associations and non-profit making organizations, including, for example, individuals, families and political parties.¹ It is therefore important to provide a brief analysis of the main reasons that lead organizations to use services of TWAs. An analysis of the literature (e.g. von Hippel et al. 1997; CIETT 2015) and the interviews carried out with the management of work agencies shows that, regardless of the specific features of the organizations, there are five main reasons that lead users to contact agencies:

- (1) replacing absent workers;
- (2) increasing the organization's flexibility;
- (3) improving staff recruitment;
- (4) acquiring new expertise within the organization;
- (5) reducing labor costs.

4.2.1 *Replacing Absent Workers*

Agency work is still a way of replacing absent workers. It is a solution that the firm can use whenever its human resources are unable to cope with the ordinary workload due to unexpected absences during the year and, in particular, in cases where it is necessary to replace absent staff due to pregnancy, illness and extended leave. In 2002 a research carried out by ECORYS-NEI on behalf of CIETT shows that this is one of the main factors that leads firms to contact agencies, revealing that the replacement of absent workers is one of the main reason to turn to agencies. Anyway nowadays motivations of firms in the use of agency work have been changed. Agency work is in fact, no more used only as stop gap and to replace absent workers but it is a strategic choice of the firms. Moreover agency work is an

¹Individuals could contact A TWA to find a domestic worker; families might do so to have catering staff for a party while political parties might need workers to carry out promotional campaigns and/or telephone opinion polls, or to collect signatures to call a referendum.

important way for labor markets to adapt economic change. The CIETT Report of 2015 also shows that agency work is a catalyst, rather than a substitute of job growth. In particular in Italy companies are highly positive on contributions of agency work to the labor market. Results of the CIETT survey, shows that companies see and appreciate the role of agency work on the labor market. Also, companies that have experience with agency work are much more positive about the contributions of TWAs than companies that have never used TWAs' services. Apparently, companies have at first an unjustifiably bad image of TWAs' industry, which is corrected once they get in touch with.

4.2.2 Increasing the Organization's Flexibility

Temporary work is an extremely important way of ensuring that firms achieve higher levels of flexibility (CIETT 2015). The use of temporary work and, more generally, all "new" forms of employment, enables an organization to respond more rapidly both to an unexpected increase in demand and to periods of crisis affecting the market in which it operates. The organization's flexibility is linked to its capacity to both grasp opportunities that emerge within the competitive environment and to downsize during phases of crisis (Consiglio and Moschera 2001a, c).

This is why some organizations have staff levels below predicted productive capacity and have a permanent team of workers taken on using new forms of employment. This mixture of permanent staff and temporary workers enables an organization to respond more rapidly to unexpected increases and decreases in demand (Ward et al. 2001). If demand should unexpectedly rise temporarily, the organization can cope with this event by increasing the number of temporary workers. On the contrary, if demand falls, the company can respond by reducing some of its "temporary" workers without affecting, wherever possible, its permanent staff.² This type of organization gives firms a series of advantages: it avoids the need for layoffs which, regardless of the type of legislation, can damage a company's image and can have a negative impact on human resources³; it enables the firm to keep its "core workers" and to create a relationship of trust and stability. Firms can also use temporary work as a way of exploring strategic growth opportunities while reducing the risks associated with such options (Cicellin et al. 2014a, b, c). The use of temporary work enables firms to adopt a trial and error approach which, in various cases, can be an extremely important growth factor. The impossibility of testing the

²On this point, several authors have argued that the: "...strategic use of various forms of the contingent work force has allowed organizations to maintain a degree of security for groups of core employees, by increasing insecurity among non-core personnel"; Von Hippel et al. 1997 op. cit.; see also Mangum et al. (1985).

³Von Hippel et al. emphasise the importance of this aspect by stating that the use of employment agencies responds to the need of firms to reduce the risks linked to laying off permanent staff. For further discussion, see: Von Hippel et al. (1997).

scale of a market opportunity in the field may lead an entrepreneur to avoid taking a risk and therefore to fail to grasp potential opportunities for development. A study carried out by McKinsey on behalf of CIETT (2000a, b) highlights the fact that agency work can prove to be a way of encouraging entry into the market by new firms which, by adopting this solution, can reduce the risks associated with the start-up phase. Also the CIETT Report of 2015 highlights this aspect adding that agency work helps people to move out of unemployment and provides a stepping stone to longer lasting employment for the younger.

4.2.3 Improving Staff Recruitment

In several cases, the use of flexible forms of work is a solution to the need to improve the staff recruitment process. In particular, it can meet several specific requirements: (1) it improves the process of selecting potential candidates for stable, full-time employment; (2) it solves problems linked to finding specific professional skills. The use of agency work is often a response to an organization's need for support during the recruitment and selection phase and consists of entrusting functions traditionally carried out by personnel departments to a specialist operator (Segal et al. 1997). Various studies confirm the above-mentioned points. In a study of several large business groups in the USA, K. Christensen noted that about 50 % of his sample used new forms of employment as a way of selecting workers who are to be taken on permanently (Christensen 1995). Other studies highlighted that agency work is the most common solution for recruiting staff rather than part-time employment or on-call work (Houseman 2001; Abraham 1990; Håkansson et al. 2012). The difficulty of finding professionals in the labor market to fill specific positions may encourage firms to turn to specialist operators. Contacting agencies is often an inevitable option for organizations that are unable to find specific professionals through its own internal recruitment and selection procedures. In these cases, two potential alternative scenarios can be imagined: the first consists in turning exclusively to a recruitment and selection service; the second lies in the decision to use agency work. The first scenario is possible where the organization's inability to recruit staff is linked to a lack of transparency between the supply and demand of labor; in this situation, the professional services of a recruitment company can offer a solution. The second scenario—the use of temporary work—occurs when, on the one hand, the organization is unable to find staff on its own and, on the other hand, it does not wish to take on staff with a direct relationship. There are cases where the organization face problems when choosing professionals for extremely short-term requirements; in these situations, the organization may need help with recruitment and may also require greater flexibility. These needs are particularly strongly felt in certain areas of Italy with highly accentuated qualitative and/or geographical asymmetries in the labor market where a firm's chances of grasping development opportunities are hindered by the difficulty of trying to recruit staff. In these situations, agencies can provide support for

firms situated in areas with an underdeveloped supply of labor in two ways. On the one hand, agencies can encourage and help the movement of workers from the south to the north and the north east while, on the other hand, they can organize highly specific and personalized training courses. The need to turn to intermediaries operating in the labor market may occasionally stem from the unwillingness of workers to accept permanent employment.⁴ In these cases, despite wishing to create continuous and stable relationships, the organization is forced to turn to new forms of employment due to workers' requirements.

4.2.4 Acquiring New Expertise Within the Organization

Temporary work can help firms in all cases where there is a need to carry out short-term improvement projects that require professional skills lacking within the organization. TWAs offer firms the chance to acquire the expertise and skills they need and therefore represent an important way of increasing their know-how. According to Matusik and Hill (1998), the use of new forms of employment makes organizational boundaries less rigid and makes it easier to gain access to know-how outside the organization, although it increases the risk of expertise being disseminated outside the firm. Obviously, this type of exchange of skills and expertise is more frequent where the temporary workers have higher qualifications and are required to carry out highly skilled activities and projects. In particular: "contingent work may bring public knowledge relating to occupational and industry best practices into the firm" (Matusik and Hill 1998). This benefit can be particularly significant when the firm is able to choose a highly skilled worker and can ensure that these skills are absorbed by the organization. The use of agency work as an opportunity to acquire skills not available within the organization is extremely important in certain sectors such as information and communications technology. It is important to state that some assumptions of the literature around 90s, still held by some policy-makers in Europe on agency contracts related to the low profile competence and skills of agency workers are empirically and theoretically overcome (e.g. Van Aerden et al. 2015; Håkansson and Isidorsson 2012; Guest et al. 2010). Moreover, a study carried out by Ellis et al. (2002) has shown that firms turn to agencies for expertise that they lack. Many studies (e.g. Gallagher and Sverke 2005; Håkansson and Isidorsson 2012) have highlighted the fact that firms contact agencies to acquire "technical experts" to carry out projects such as the launch of new products, the implementation of changes and the creation of new information systems. These professionals have a high added value and usually join teams

⁴This phenomenon can be found in the British health service where several studies have shown that numerous professional nurses prefer working through agency contracts rather than being taken on full time by hospitals and medical centres. For example see Bergstrom and Storrie (2003).

made up of the firm's permanent staff and leave the firm at the end of the project (Morrow 1993).

4.2.5 Reducing Labor Costs

The need to reduce labor costs is a further reason why firms resort to agency work (Kallenberg et al. 2003). Besides cutting administrative and recruitment costs, this option also enables firms, when legally entitled to do so, to pay lower salaries and fringe benefits. In some other (European and not) countries, agency workers are paid less than permanent members who do the same work within the organization. The advantage in terms of cost is often higher than the mark up that the organization is required to pay to the agency. This option is prohibited in countries where legislation enforces equal pay for both agency and permanent workers. In Italy, for example, article 23 paragraph 1 of Decree. 276 states that: "*workers employed by an agency have the same economic and legislative rights as the user's employees of similar rank who perform the same tasks*". Despite regulations that are designed to ensure parity of treatment, the user firm may still be able to cut costs because it is only required to pay for the hours actually done since the costs of absence from work are paid by the TWA. A second factor to savings labor costs is linked to the fact that the user firm do not deal with the administrative issues related to the worker (e.g. contract management, pay slips, etc.). The use of agency work also reduces the cost of staff training. The decision to employ an agency worker immediately able to fulfill a specific task saves the cost of training internal staff who are currently unable to perform the activity. The use of temporary staff also provides a means of cutting the firm's recruitment and selection costs (Pfeffer and Baron 1988) by resorting to the services of companies with specialist experience which, due to their know-how and activities in the field, can carry out the activities more effectively and at a lower cost. The user can also reduce costs linked to financial administration. Agency works offer user firms a method of short-term financing. By arranging with the agency to pay in installments, the firm can have the services of workers and postpone payment, improving cash flow. However, it should be emphasized that the firm is exclusively financed by the agency which is obliged to pay agency workers on a regular basis, as set out in the contract.

4.3 Workers

TWAs are generally considered to be service providers that create value for the user firms. From a contractual perspective, user firm regularly pays with a mark up related to the specific service provided. The legislation regulating agency work places a strict ban on making a payment, on whatever basis, to the worker sent by the agency. However, the possibility of providing firms and organizations with a

high quality service is linked to the agency's capacity to recruit staff who meet the expectations of the users. This means that the chance of creating value for the user is directly linked to the capacity to create value for the workers as well.

The TWA is obviously able to operate effectively if workers are interested and willing to accept job offers. For the sake of completeness and to understand the dynamics in the field, this section seeks to present the main reasons that lead people to look for an agency job. An analysis of the literature shows that workers turn to agencies for two main reasons: (1) to gain more rapid access to a stable job; (2) to find work which is compatible with their commitments (e.g. Consiglio and Moschera 2005).

4.3.1 Finding a Stable Job

A worker's decision to make use of the services of a TWA generally stems from the chance of increasing the likelihood of finding a permanent job later on. According to a study carried out by ECORYS on behalf of CIETT, the hope of finding a stable job is the main reason why a worker accepts a temporary job (Ecorys Nei 2002). The CIETT Report of 2015 still highlights this issue as one of the main reason persuading, most of all young people, to accept an agency contract. To support their arguments, the authors provide a series of empirical studies undertaken in various European countries which show that this is the reason mentioned most often by the workers who were interviewed.⁵ In particular, according to interviews with 2500 temporary workers carried out in Belgium by Idea Consult in 2000, 51.9 % stated that they had accepted a temporary job with a view to finding a permanent position. The percentage proved to be slightly lower (48 %) in a study done by IWD Bonn/Emnid about the situation in Germany. Similar figures emerge from other analyses carried out in France, the United Kingdom and the Netherlands. In most cases, people accept agency jobs because they are unable to obtain permanent employment. Generally, most workers regard a work agency as a makeshift solution rather than ideal alternative. Agency work therefore represents an opportunity for jobseekers to reduce the social isolation that is one of the main reasons that slows down entry into the labor market (White and McRae 1989).

The last CIETT Report (2015) state people who start working as an agency worker can do so either from employment or unemployment, but also from education or inactivity. Through agency work, they do not only have a good point of entry to the labor market, but they are also able to stay in employment up to 12 months after their agency work assignment ended.

⁵The following studies are mentioned in the research: IDEA Consult (2000), IWG Bonn (1995), SETT (2000), Ecorys-nei (1995-2001), Bernasek and Kinnear (1999) and CIETT (2000a).

According to Heather et al. (1996), agency work can encourage access to a stable job through three possible routes:

- an internal direct route;
- an internal indirect route;
- an external route.

The internal route enables agency workers to find stable employment in the same user firm where they are sent by the agency. After a relatively long period, often agency workers are taken on permanently by the user firm. In particular, this occurs when the firm uses agency work as a way of reducing the risks associated with recruitment and selection.

The internal indirect route increases agency workers' chance of being taken on by the organizations where they have worked. Due to this type of experience workers have a greater chance of gaining access to the information regarding the staffing needs of the firms where they have worked and to be chosen by one of these, on the basis of the social and human relationship established during the period of employment. This is especially important if, during the assignment, the worker has earned the appreciation of the user firm (Stanworth and Druker 2006). The external route enables workers to gain more rapid access to job opportunities at firms other than the ones where they have worked temporarily. As a result of the new experience, the worker becomes more employable. Numerous scholars have sought to assess the impact of accepting agency work on a person's career and the results have often proved to be conflicting (e.g. Mitlacher 2007; Liu et al. 2010; Subramony 2011). For example, the study carried out by Farber (1999) emphasize that the decision to accept agency jobs can have negative effects on the worker's career prospects. The results of these authors clash with the majority of the studies conducted in various European countries which show that acceptance of an agency job otherwise increases the likelihood of obtaining permanent employment. On the basis of a longitudinal study undertaken by Subramony (2011) argue that workers with experience of agency work are able to find a permanent job more rapidly than unemployed people who do not accept this type of work. In a study of the situation in Sweden, Granlund (2000) demonstrated that a significant flow of workers with short-term contracts were subsequently taken on with a permanent contract by user firms. According to the author, this phenomenon is particularly frequent for certain categories of workers and is less significant for low-skilled workers. Håkansson (2001) confirms Granlund's results and adds that agencies act as an effective springboard for highly qualified men although the same is not the case for highly trained women. In a longitudinal study carried out in the UK (Booth et al. 2000) confirmed by Comi and Grasseni (2012) is highlighted the fact that although agency workers earn less and have less job satisfaction than permanent workers, they opt for this form of work as a springboard to more stable employment. In contrast to Hakansson's analysis, the study shows that while temporary work has a positive impact on women's careers and earning prospects, a man's decision to accept temporary work means that he will generally have a lower earning capacity in the

future compared to a man who began his career with a permanent job. In the light of the conflicting evidence that emerges from the literature, Bergstrom (2001) notes that although a greater number of studies show that agency work has a positive effect on workers' careers, it is not possible to provide a clear-cut answer to the issue. Indeed, he believes that the impact of agency work on a person's career is dependent on the worker's professional qualities, the sector in which the user operates and the type of legislative framework and the general features of the labor market. Moreover in the last years scholars focused on behavior and motivation of agency workers. In particular they are homogeneous to contrast previous studies, found that organizations more and more use agency contracts for high profiles too (as engineers, ICT professional, white collar, clerical, nurses, doctors...). Moreover, the key finding is that, in some cases, agency workers often report a more positive psychological contract, higher performance and commitment, satisfaction and work-related well-being than permanent peers (Martínez et al. 2010; Guest et al. 2010; Lapalme et al. 2011; Lopes and Chambel 2015; Buddelmeyer et al. 2013).

4.3.2 Finding Job Opportunities that Suit a Worker's Need for Flexibility

Agency work enables workers to balance work with other aspects of their lives since it gives them the chance to choose the period and number of hours they want (CIETT 2015). For a specific category of workers, TWA provides an useful means of helping them to find temporary positions that fit in with individual needs and their other commitments. Numerous studies have quantified the numbers of workers who voluntarily decide to find temporary work. In a study carried out by McKinsey on behalf of CIETT (2000a, b), 33 % of workers voluntarily chose agency jobs. The study also highlights that these workers prefer agency work because it satisfies their need for flexibility (36 %), enables them to gain different types of work experience (19 %) and allows them to work with different firms (19 %). A study conducted in 2000 by the US Bureau of Labor Statistics reveals that the number of voluntary temporary workers in the United States oscillates between 26.6 and 33.1 %. A similar figure emerges from the research done in the USA by Von Hippel et al. (1997).

According to CIETT (2015) 50 % of agency workers is satisfied with the number of hours they work in a week, which is more than for self-employed and equal to that in fixed term employment. Agency workers have on average shorter working weeks than any other form of employment, and about 30 % of them would like to work more hours. This is slightly more than for fixed-term employment.

There is therefore a significant percentage of individuals who actually prefer instability (Polivka 1996). This type of choice may be motivated by several factors, in particular the need to have flexible hours to combine family life and work

commitments and to have control over one's career (Bergstrom 2001).⁶ A comparative study of eight European countries shows that an extremely heterogeneous mixture of people voluntarily choose temporary work (Bernstein 2003). The first category of agency workers includes specialist workers (translators, programmers, nurses, specialist secretaries etc.) who use agency services to get support in seeking job opportunities that match their own needs and schedules. The second category consists of young students entering the labor market for the first time for whom the lack of stability may actually be advantageous. The chance to choose when and how long to work helps them to match their studies with work commitments. For these workers, the negative aspects of temporary work are regarded as less significant since they have less need for credit facilities and their awareness of national insurance and health issues is still not highly developed. Agency work also provides an option for many people who regard family commitments as the most important thing in their lives. In Italy, the vast majority of these people are women who see this formula as a way of juggling family and work commitments. Another category of people who tend to prefer agency work are the so-called "nomads" who prefer to change their job and company on a regular basis and consider an work agency as a sort of business agent. The results presented in Bernstein's study are generally confirmed by other studies carried out in Europe and the United States which reveal that a significant segment of the working population consider agency work as an advantage and a way of increasing control over their own lives. Moreover, the CIETT Report of 2015 focusing on the personal motivations as well as worker satisfaction of those involved in agency work, states that people tend to be satisfied with their agency jobs, and that they would recommend it to their family and friends (Buddelmeyer et al. 2013). On average, 82 % of agency workers report that they are satisfied or very satisfied, and 76 % would recommend agency work to their family or friends. This clearly shows that working through an agency is a conscious and deliberate choice for a vast majority of the workers. Also, results from Italy show that when people are acquainted with agency work they are more likely to recommend it, mirroring the same bias in companies using agency work who are more positive about it than those who have never done so.

4.4 Trade and Professional Associations

The associations and bodies that represent firms (and, specifically, TWAs) play an extremely important role in this field, such as in the negotiations that led to the introduction of temporary work in Italy and subsequently to the reforms brought in by Decree 276/2003 and the circulars implementing the decree and the Enabling

⁶Bergstrom underlines the fact that the use of flexible forms of employment has a strong impact on workers who, free from hierarchical constraints, take more responsibility over their working lives. She shows how this process of responsabilisation has been encouraged by several Swedish firms.

Law no. 30/2003. The legislation has an impact not only on the activities of the key players involved but is often the result of negotiations between these players or, at least, a process that takes account of the needs, expectations and desires of the various parties. As already mentioned, the introduction of agency work into the Italian labor law system was preceded by a lengthy and intense period of negotiations and discussions involving trade unions and lobbies representing the aspiring work agencies (Moschera et al. 2011). During the 1980s attempts were made to introduce temporary work to Italy but progress was slow. The lack of interest and the ignorance of agency work were caused by a series of issues linked to the Italian context which complicated the whole process. The main cultural and legal obstacle has been the “ban on intermediation” in work services which had already been laid down in 1960 by Law no. 1369 of 23 October. The first breakthrough took place in the early 1990s with intensive lobbying by numerous parties aimed at overcoming the hostility towards new forms of employment. It is interesting to note that the promoters of greater flexibility in Italian labor law were neither trade unions, trade associations, government nor political parties, but non-institutional players that considered temporary work as an interesting business opportunity. A key role was played by multinationals in the sector—such as Adia, Ecco, Start, Vedio, Kelly and Manpower—which, after developing and consolidating their activities in the countries that had initially adopted agency work, began to assess the opportunity of breaking into new markets by lobbying in countries with more rigid labor laws such as Italy. In late 1993 the so-called “Club di Milano” was set up by several leading multinationals, in particular Adia, Ecco, Vedio, Manpower and Randstad. During this phase, the lack of Italian entrepreneurs was due to financial considerations: none of the small recruitment agencies believed it was advisable to invest in lobbying (the first payment for such activity was 5000 US dollars). In 1996 lobbying increased and the Assilt association was set up with the support of the “Club di Milano”. As well as multinationals, the members of Assilt included numerous Italian companies that regarded temporary work as a realistic economic opportunity. The phase of legislative negotiations ended in 1997 when the “Treu package of laws” was passed, due partly to the relative stability of the government. For the first time, the law officially recognised the structural features of temporary work and the emerging sector of agencies. Law 196/97 actually created the groundwork for temporary work agencies. The flurry of negotiations culminated in new legislation. On the one hand, the law respected the wishes of the trade unions (exclusive statement of object, guarantees and obligations, authorisation and control systems) while, on the other hand, it helped large multinationals the only ones capable of overcome the numerous complex barriers created to entry the field. Although the 2003 reform has been criticised for the lack of wide-scale consultation,⁷ it overcame part of the opposition from trade unions by “granting” the greater use of collective

⁷Many operators and scholars regarded it as a reform imposed from above which was warmly welcomed by employment agencies. However, it is worth underlining that professional and trade associations also played an important technical support role in the legislative initiative.

bargaining. The important role played by professional and trade associations is also highlighted by their presence in all European countries.

In Italy, despite the presence of a few TWAs than the other European countries we have observed the birth and continuous modification of several associations representing TWAs (Confinterim, Assointerim, Federinterim; Ailt, Apla). In the last years, the birth of Assolavoro in 2006 and Assosomm in 2011 seems to stabilize these continuous changes. Assolavoro brings together 44 agencies that produce the 85 % of the total turnover of the agency work with 2500 branches in Italy. Assolavoro participates in Confindustria and Eurociett. Assosomm brings together 19 TWAs. Both of them participate in the bilateral organizations Ebitemp and Formatemp.

4.5 Trade Unions

Like professional and trade associations, trade unions also played a key role in the Italian labor market and in the development of the agency work. In particular, they have represented the interests of atypical workers during the negotiation process that led to the creation and development of the work agency sector. Trade unions currently play a leading role in the collective bargaining process. They regulate the use of agency work with employers in the sectors where atypical workers have fewer safeguards and often occupy positions with worse working conditions than their permanent counterparts. One example is the use of agency workers for peak loads during nightshifts or holidays. Numerous studies have shown that flexible workers suffer more than others from problems related to stress at work and in their private lives, linked partly to the considerable uncertainty about the future (Bergstrom 2001; Benavides and Benach 1999). They are also more vulnerable to the risk of accidents in the workplace due to their unfamiliarity with equipment and facilities and their relative lack of training. In the light of the specific problems facing atypical workers and after Law 196 of 1997 came into force, all three of the main Italian trade union organizations (CGIL, CISL and UIL) set up wide-ranging internal structures designed to safeguard the rights of all the atypical workers. It became clear that the new forms of employment and the more general changes in the labor market required new approaches and new internal organizational models to represent an important category of the Italian working population. Due to the lack of an adequate welfare system, this rapidly growing sector of workers required special attention from trade unions. The approach used was partly designed to make up for the loopholes in the welfare system (such as help with access to loans and credit facilities), partly an attempt to provide representation for people who did not identify with the trade unions of "typical" workers and partly an attempt to create a specialist contact (i.e. the associations representing TWAs) that could take part in negotiations and bilateral organizations operating in the sector. By 1998, these associations were already taking an active part in drawing up the national bargaining agreement for workers taken on by agencies. The strategic role played by

trade unions in the negotiation process undoubtedly avoided, in certain phases, a drift towards excessive deregulation. The three main Italian confederations—CGIL, CISL and UIL—therefore have structures devoted to the interests of atypical workers. Besides representing and safeguarding the interests of their members and aspiring atypical workers in general, the three associations provide assistant and consultancy services for their members: careers guidance, training courses, help to gain access to loans and credit facilities, insurance policies (with insurance companies that have agreements with them) with easy terms for health insurance and pension schemes, etc. The three trade union associations also take part in the bilateral temporary work organizations (Ebitemp, Formatemp).

4.6 Bilateral Organizations

Among the numerous operators in the field, an important role is played by the two main bilateral organizations, E.Bi.Temp. and Forma. Temp. The National Bilateral Organization for Temporary Work (E.Bi.Temp.) was set up through a contractual agreement between the unions Felsa CISL, CGIL and Nidil Uiltemp and associations of the employment agencies in administration Assolavoro, Assosomm, non-profit organization and is active both in favor of workers of the agencies. The organization was established to forge a collaborative relationship with trade unions during the development of the new forms of employment relationship created by the consultation process of 1993 and enshrined in the regulations of Law 196 of 1997.

Ebitemp has a dual function within a framework of labor relations consistent with the objectives of development and qualification of production and employment in the sector:

1. the management of bilateral issue and trade union rights in the field of agency work;
2. safeguarding and protection of agency workers according to the defined benefit through national bargaining.

To achieve its aims, Ebitemp relies on contributions paid by TWAs, on the extent of the bargaining between the parties.

The main activities carried out by E.Bi.Temp. during this period include the following: the creation of compensation systems in case of accident or injury which also provides cover after the end of the employment relationship; the creation of a guarantee fund to enable agency workers to gain access to personal credit on easy terms with simpler procedures than the bank loan system; the creation of a supplementary health insurance scheme. Forma.Temp., the national training fund for temporary workers, was set up in accordance with Law 196 of 1997 as no profit organizations The Fund is financed by payments made by work agencies which correspond to 4 % of the money paid to workers hired with a short-term contract. Members of the Fund are the two associations representing the TWAs (Assolavoro

and Assosomm), the trade unions of agency workers (Felsa-CISL, CGIL-Nidil, UILTem.p @) and the three trade union confederations (CGIL, CISL and UIL).

Forma.Temp. has the following aims: to promote training and retraining courses partly to ensure the continuity of job opportunities; to provide specific social security measures; to assess the use of agency work and its effectiveness in combating undeclared work. In particular, as a result of a framework agreement, management and trade union representatives have pinpointed four training areas for the sector: basic training, professional (specialist/skills acquisition) training, on-the-job training and lifelong learning as a way of supporting refresher courses and upgrading the professional skills of agency workers. The training courses are aimed at the following: candidates for agency work, workers who have been taken on and require specific training to do their job, and permanent workers.

4.7 The State

The state is another key player in the temporary work agency field in Italy. Besides its standard role as a regulator, the state intervenes both directly and indirectly by influencing the behavior of TWAs and the dynamics in the field. In the guise of the Ministry of Labor and Social Policies, the State performs the crucial function of checking and assessing that regulations are observed. The Ministry also intervenes directly in negotiations for collective bargaining in the sector which regulates the key aspects of the actual application of temporary work. The Ministry of Labor and Social Policies is the main institution that influences the dynamics of the organizational field. Through the authorization process, it defines exactly who can have access to the field. However, the role of the State can also be analyzed in terms of the reasons that lead to agency work establishment. One of the main reasons is that agency work provides an important channel for gaining access to the labor market for numerous categories of aspiring workers and outsiders. A study carried out in 2000 by Deloitte & Touche (2000) in five European countries (UK, the Netherlands, Germany, France and Spain) has underlined the fact that agency work offers an important tool of entering the labor market for outsiders. On the basis of 700 interviews with agency workers, the study shows that an average of 40 % of all temporary workers are outsiders; taking into account individual countries, the percentage oscillates between 24 % for Germany and 52 % for the Netherlands. In Italy, for example, agency work provides an opportunity for facilitating access to the labor market for a significant number of workers from non-EU countries who currently represent 18 % of the total amount of agency workers. TWAs help workers to find job opportunities and, in some cases, have enabled them to move to Italy. For example, agencies providing nursing services have opened branches in several countries in Eastern Europe and have managed to select and transfer workers to Italy, taking care of all the administrative problems. In this instance, the TWA is not considered, as in the previous case, as an interlocutor capable of finding a permanent job but as a means of helping marginal workers to enter or re-enter the

labor market due to their capacity to match the demand and supply of labor. According to several studies, private work agencies are capable of improving job matching in the labor market and reducing unemployment (e.g. Cicellin et al. 2015). Moreover, research by Storrie (2002) has revealed that agencies can reduce unemployment and increase net employment.

4.8 The Main Competitors of TWAs

This paragraph provides an overall framework of the main types of competitors of TWAs in Italy. In particular, brief descriptions are given of the activities of intermediaries and companies that recruit and select staff and agencies that help with outplacement. As told above, the Decree 276/2003 has authorized TWAs to carry out all the other activities and services linked to employment services, not only the agency work service to user firms. This “deregulation” has improved agencies’ organization of employment services because it has enabled them to provide both workers and firms with a package of services which can be personalized and adjusted according to the various levels and stages of a person’s working life. At the same time, however, it has made strategic management more complex because it has increased the number of competitors offering a similar range of services. Decree 276/2003 significantly broadened the field of agencies in two different ways. Due to this innovative legislation, the sector witnessed the entry of a series of operators that were already active in other sectors of the labor market and have become major rivals of generalist agencies. The actors involved in the private temporary work market include the following:

- intermediaries;
- recruitment agencies;
- agencies providing outplacement services;
- online intermediary organizations.

However, the legislation has also provided accreditation for a series of new operators that can enter the agency work field by providing intermediation services in direct competition with “generalist” agencies. The following operators can now offer intermediation services after receiving authorisation from the Ministry of Labor: public and private universities, including university foundations; municipalities (*comuni*); chambers of commerce, secondary schools (public and officially recognized private schools); the most representative employers’ and workers’ associations with institutional authorization and the authorization of bilateral organizations; a foundation or other organizations with the legal status of the national register of employment consultants.

4.8.1 *Intermediaries*

Over the last decade, the market for intermediation services has undergone far-reaching changes. There has been a shift from a labor market heavily focused on institutional intermediaries (the public employment office) and the limited use of specialist intermediaries to a situation where traditional operators have been joined by new organizations with a range of different skills. This scenario has emerged as a result of the deregulation of intermediation services in many European countries and culminated in Italy with the introduction of Decree 276/2003 which abolished the state monopoly on employment services.

Intermediation services in Italy can be provided by public organizations (job centres, universities, municipalities etc.) or private operators. There is no single definition of intermediaries in the labor market. The intermediation service sector generally consists of operators that mediate between labor market supply and demand, regardless of their legal status and whether they have commercial or non-profit making objectives.

Decree 276/2003 defines intermediation as “*mediation between the supply and demand of labor, partly in relation to the entry into the labor market of people with disabilities and groups of underprivileged workers including the following: gathering the CVs of potential workers; the pre-selection and creation of a database; the promotion and management of services designed to match the supply and demand of labour; at the request of the user firm, all communications regarding recruitment following intermediation services; careers guidance; the planning and organization of training courses designed to encourage employment or work placement*”.

Besides job centres and private agencies providing intermediation services, other operators can provide employment services after receiving due authorisation. The following organizations can provide intermediation services with advantageous tax conditions:

- public and private universities;
- university foundations (which use higher education and advanced training as a specific solution to problems with entering the labor market);
- municipalities, including groups of municipalities and associations of municipalities in mountainous areas with special emphasis on underprivileged individuals;
- chambers of commerce, industry, agriculture and crafts;
- secondary schools (public and officially recognized private schools) which can find work placements for their pupils in the labor market using apprenticeships, internships and employment contracts;
- most representative employers' and workers' associations that are signatories of national collective bargaining agreements;
- associations of national stature with official recognition whose statement of object is to provide assistance and safeguards for entrepreneurial activity;
- bilateral organizations;
- the foundation set up by the National Register of Work Consultants.

The spread of new technologies has led to the exponential increase of new applications regarding the labor market. The opportunities provided by the internet have drastically modified the division of the market share of intermediaries due both to the increase of specialist web sites or recruitment services in all the non-specialist portals, and also due to the use of innovative tools by institutional intermediaries. The most important is “ClicLavoro”, a portal for the network of job services promoted by the Ministry of Labor and Regional Governments. The portal provides a service designed to match the supply and demand of labor and is aimed at citizens, firms and public and private intermediaries, such as: TWAs, universities, placement centres, outplacement organizations. According to “Cliclavoro” portal in Italy in 2016, we have 3.344 different agencies accredited and authorized on the Electronic Register of the Ministry of Labor and Social Policy. These agencies contains all relevant information and references to any agency, grouped in different sections (c.f.r. chapter II, par. 2.3). In the section grouping intermediaries, there are 2.541 agencies accredited in 2016.

4.8.2 Recruitment Agencies

The recruitment and selection service is used when an organization, with the support of specialist agencies, searches the labor market for candidates who are currently unemployed or employed in other companies and who possess the required professional skills and potential.

The recruitment and selection of human resources in Italy has its roots in consulting which was an additional service provided by consultants at the request of firms. The first companies that operated in Italy in the 1960s were mainly involved in auditing financial statements, production planning, corporate restructuring etc. It was only after 1964 that recruitment and selection companies were established. Besides selection criteria based on the technical skills required to fill specific positions, these companies began to use psychometric tests designed to match the personalities of the various candidates to the working environment and the aspects of the work involved.

Recruitment agencies were only formally recognized by Italian legislation by Law 388/2000 and the accreditation procedure at the Ministry of Labor for companies that wished to use this name was only introduced with the subsequent ministerial decree issued on 18 April 2001. Following the introduction of the new legislation, these agencies were authorized to carry out consultancy services for companies and associations, whose statement of object was defined as providing assistance for entrepreneurial activities, and providing intermediation services for their members.

Until 2003 recruitment agencies had to receive authorisation from the Ministry of Labor to carry out its activities. After the decree was passed, agencies had to

apply to the Ministry of Labor to be included in the official register in order to operate legally. Apart from the general requirements included in the decree, recruitment agencies also have to have paid-up share capital of not less than 25,000 euro and staff recruitment and selection listed in the objects clause, even if it is not the sole object. In 2016, in Italy we have 892 agencies accredited with the functions of recruitment.

Recruitment agencies also include headhunters. Headhunters and executive recruiters have existed in certain European countries since the 1960s. They can be differentiated according to their target market and the degree of specialisation of professional positions: while operating within a national context, some of these agencies are organized into federations that include several countries. There are also international federations (e.g. the Association of Executive Search Consultants—AESC) which search for executives for multinationals or at least operate at an international level. These agencies often provide other services including organizational and staff consulting, training, assessment and industry studies in order to establish salary levels. Headhunters are usually either paid a percentage of the salary of the executive they have selected or receive a lump-sum payment from the organization that takes on the executive.

4.8.3 Agencies Providing Outplacement Services

Outplacement refers to assistance provided by specialist companies to help employees who have been laid off to find new job. At the request of the client company, the worker is provided with the assistance of consultants with expertise in the labor market who provide a package of services for the management of the person's re-training, career and guidance within the productive context.

Outplacement services originated in the United States during the 1960s. Outplacement was first used during the drastic reduction of the specialist employees of NASA (the US Space Agency) who had been involved in the "Apollo Program". They were all offered outplacement services to enable them to retrain and find positions in other business environments. Outplacement appeared for the first time in the UK at the end of the 1970s following a period of stagnation in the labor market for managerial posts; it was first used in Italy in the mid 1980s although, compared to other European countries, this service is only beginning to become more widely used both in the public and the private sectors. To gain official accreditation, outplacement agencies must be set up as a company, a cooperative, a consortium of cooperatives or an association, possess fully paid-up share capital of at least 25,000 euro and indicate professional outplacement as the main object in the objects clause. In 2016, we have 250 agencies accredited with these functions.

Outplacement agencies search for positions or seek to develop careers on an individual basis but more often for groups of aspiring workers and in exchange for payment. In Italy, the main clients of these agencies are large companies, multinationals or, to a much smaller extent, medium-large companies. They mainly

provide the following services: individual and collective outplacement services, company consultancy services, counselling coaching for managers and career management, maintenance services, the reintegration of a partner or support for the outplacement of the partner of an employee who has had to move to a different location. A recent study (Consiglio and Cicellin 2012) states that these services are generally requested for executives and managers and much more rarely for ordinary employees and manual workers who usually receive collective outplacement services. Moreover firms can take advantage from these agencies in different ways: receiving consultancy services for handling layoffs; reducing the risk of social conflict; improving communications with employees and the people involved; ensuring that human resource management focuses on issues related to productivity and performance.

4.8.4 Online Intermediary Organizations

Suppliers of non-specialist services include all companies that provide software for the online management of the recruitment and selection process or e-recruiting suppliers which often provide additional services such as CV screening.

Websites devoted to job-seeking began in the United States in about 1994 with the opening of two specialist portals, Monster.com and CareerMosaic.com. There are many operators in this sector: companies that internalize the search process by using their own website; recruitment agencies or agencies that provide intermediation services with an online showcase; online newspapers that offer specialist advertising; generalist sites and portals that deal with the subject to attract visitors and to make their advertising spaces more commercially enticing.

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Chapter 5

The Structure and Performance of Temporary Work Agencies

Abstract This chapter describes the evolution of the industry, examining the dynamics and the performances of the temporary work agency field in Italy. It describes, the structural features and in particular turnover, employees and branch offices organization and structure of Italian TWAs, and moreover the levels of concentration in the sector. The chapter ends by illustrating several structural indicators of Italian TWAs and the collective performances of the industry. The analysis is based mainly on information and statistics taken from questionnaires filled in by representatives of Italian TWAs and from balance sheets of the last years. Additional information was taken from websites of the Ministry of Labor and Social Policy and the agencies themselves. The section related to the collective performances of the industry is based on statistics gathered by professional associations.

Keywords Evolution of Italian TWAs · TWA's performance · Structural feature · Research findings

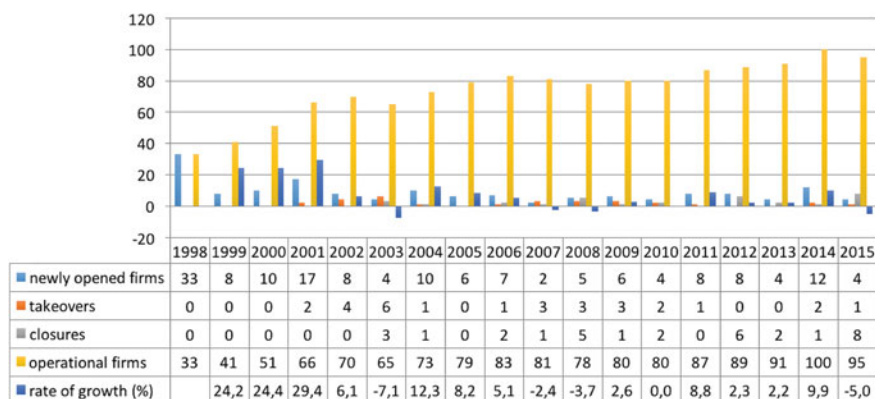
5.1 The Evolution of the Sector in Italy

Despite the crisis and the fall in the rates of growth of demand, the employment agency sector expanded between 1998 and 2015 with an increase in the number of operators, rising up to 95 in 2015 (Table 5.1).

In 2012 the Italian TWAs sector mostly suffer the consequences of the global crisis. In fact, nine TWAs closed their business. Nevertheless in the same time, four new TWAs opened their business.

It is worth to mention that the number of TWAs in Italy increased after 2009 also thanks to the incoming of foreign agencies (agencies located in other European countries) that have chosen to operate also in Italy.

In order to describe how the structure of the sector has changed, it is necessary to analyze, on the one hand, the new agencies that have entered the market and, on the other hand, the agencies that have left because they have either closed down or have

Table 5.1 The development of the sector from 1998 to 2015**Table 5.2** The development of Italian and foreign TWAs (2009–2015)

Italian TWAs	2009	2010	2011	2012	2013	2014	2015
Newly opened firms	4	3	6	4	1	9	2
Takeovers	3	2	1	0	0	2	1
Closures	1	2	0	6	2	1	3
Operational firms	78	77	82	80	79	85	83
Foreign TWAs	2009	2010	2011	2012	2013	2014	2015
Newly opened firms	2	1	2	4	3	3	2
Closures							5
In the official Register	2	3	5	9	12	15	12
Total	80	80	87	89	91	100	95

been taken over by other operators (Consiglio and Moschera 2001, 2002, 2005, 2008, 2010). Table 5.1 provides an overview of the development of the sector through an analysis of newly opened agencies, closures and takeovers over the last nineteen years. We provide also a second Table 5.2 showing the development of TWAs differentiated between Italian and foreign ones in the 2009–2015 period.

5.2 The Structural Features

This paragraph is designed to illustrate the structural features of the sector and, in particular, the legal status and registered office chosen by Italian operators, their turnover, employees, branch offices, market share and the level of concentration of the sector. The data used for this section of the report come from a joint analysis of the balance sheets of all the employment agencies in the sector, their websites, the

official data from the Observatory of the Temporary Labor Market (Osservatorio del Mercato del Lavoro Temporaneo) of Formatemp and Ebitemp and the data from the Computerized Register of the Ministry of Labor and Social Policy.

5.2.1 *Legal Form*

The joint-stock company is the main legal form used by employment agencies (73 %). From the early years of their activity until 2007, the percentage of joint-stock companies rose continuously. Over the last few years, however, the figure has decreased, falling from 89 % in 2007 to 73 % in 2014. Simultaneously, the role of limited liability companies has risen from 8.6 % in 2007 to 23.5 % in 201. This increase has been caused by the entry of several specialist agencies which have tended to adopt the form of the limited liability company (S.r.l.), rather than the joint-stock company (S.p.A.) (Table 5.3).

5.2.2 *The Registered Office*

Lombardia is the region with the largest number of temporary work agencies (47 %). However, the importance of this region has gradually declined; in 1998 the number of agencies with a registered office in Lombardiawas 63 % but it fell to 43.0 % in 2012. Overall, more than 75 % of the registered offices of employment agencies are situated in the four main regions of northern Italy (Lombardia, Veneto, Emilia Romagna and Piemonte).

Table 5.3 The legal form of agencies from 1998 to 2015 (values in %)

	1998	1999	2000	2001	2002	2003	2004	2005	2006
SPA	84.9	85.4	82.3	87.9	88.6	89.2	87.7	86.1	89.2
SRL	12.1	12.2	15.7	10.6	10.0	10.8	10.9	12.6	8.4
Others	3.0	2.4	2.0	1.5	1.4	0.0	1.4	1.3	2.4
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	2007	2008	2009	2010	2011	2012	2013	2014	2015
SPA	88.9	88.5	87.5	87.5	77.0	74.2	67.0	64.0	65.3
SRL	8.6	10.2	8.8	8.8	18.4	20.2	26.4	28.0	26.3
Others	2.5	1.3	3.7	3.7	4.6	5.6	6.6	8.0	8.4
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

*Until 2008 the “others” category only included cooperatives; from 2009, the category also included agencies with head offices abroad and with different legal forms

Table 5.4 The turnover trend from 1998 to 2014 (turnover values in €million and variation values in %)

	1998	1999	2000	2001	2002	2003
Turnover (€million)	128.3	750.9	1.7221	2.5056	3.0293	3.3500
Annual variation (%)		485.2	129.3	45.5	20.9	10.6
Operational agencies	33	41	51	66	70	65
Turnover per agency (€million)	3.89	18.32	33.77	37.96	43.28	51.54
	2004	2005	2006	2007	2008	2009
Turnover (€million)	4.0000	4.6250	5.4920	6.4340	6.7370	4.6200
Annual variation (%)	19.4	15.6	18.7	17.2	4.7	-31.4
Operational agencies	73	79	83	81	78	80
Turnover per agency (€million)	54.79	58.54	66.17	79.43	86.37	57.75
	2010	2011	2012	2013	2014	
Turnover (€million)	5.6460	6.4002	5.9016	6.2343	6.7859	
Annual variation (%)	22.2	13.4	-7.8	5.6	8.8	
Operational agencies	80	87	89	91	100	
Turnover per agency (€million)	70.58	73.57	66.31	68.51	67.86	

5.2.3 Turnover

The turnover of TWAs in 2014 was about 6144 million euro. Turnover steadily increased from 1998 to 2008. After high rates of growth during the first few years of business (1999, +485 %; 2000, +129 %) following the introduction of temporary employment in Italy, the market slowed down and rates of growth gradually declined (2001, +45 %; 2002, +21 %; 2003, +10 %). The trend turned in 2004 when growth rates underwent a 19 % annual increase compared to 2003.

During the three year period from 2009 to 2011, after the collapse in 2009 (-31.4 % compared to 2008), the sector has picked up again and rose to +22 % in 2010 and registered a further increase of over 10 % in 2011.

In the three year period from 2012 to 2014 the turnover figures considerably fluctuated. In 2012 it went meaningfully down (-7.8 %), increasing in 2013 it (+5.6 %), with a final reshaping in 2014 (-1.4 %) (Table 5.4).

5.2.4 The Staff

TWAs' staff numbers in 2012 rose to 10,000,¹ an increase of about 2 % compared to 2011 (Table 5.5).

¹The figures for the number of staff employed directly by agencies in 2012 are estimates by Assolavoro. (http://assolavoro.eu/uploads/2015/pressreleaseassolavoro_marzo2015_1.pdf).

The staff directly employed by Italian TWAs rose in number, even though at decreasing annual growth rates, from 1998 to 2008.

Over the three year period 2009–2011, staff numbers fell drastically. In 2009, staff levels fell from 11.500 to 9.700 (–15.7 %) and in 2010 there was a further slight decrease (–2.6 %).

The figures for agency staff show that there is no direct relationship between trends in turnover rates and staff numbers: the swings in turnover over the last three years (2009–2011) are not matched by the trends in staff numbers which have become more stable.

The lack of growth in staff numbers during 2010 and the slight rise in 2011, despite the significant increase in turnover, can be explained in two ways. On the one hand, firms have suspended, or terminated, the job security agreement which reduced the number of full time equivalent employees during the crisis while, on the other hand, TWAs have continued to adopt a cautious approach given the current problematic economic situation.

5.2.5 Branch Offices

The agencies have a network of 2530 branch offices situated throughout Italy (Table 5.6). After a period characterized by the opening of a sizeable number of branches, particularly in 2000 (an increase of 129 % compared to 1999), the growth rate of the sector gradually began to decrease. The annual increase in the number of branches ended in 2004, when the number fell slightly to 2400 compared to the

Table 5.5 The trend of the number of directly employed staff from 1998 to 2012

	1998	1999	2000	2001	2002	2003	2004	
Staff	1.360	2.580	4.710	6.065	6.775	7.800	8.050	
Annual variation (%)		89.7	82.6	28.8	11.7	15.1	3.2	
Operational agencies	33	41	51	66	70	65	73	
Mean number of employees	41.21	62.93	92.35	91.89	96.79	120.00	110.27	
	2005	2006	2007	2008	2009	2010	2011	2012
Staff	8.500	9.500	10.850	11.500	9.700	9.450	9.800*	10.000*
Annual variation (%)	5.6	11.8	14.2	6.0	–15.7	–2.6	3.7	2.0
Operational agencies	79	83	81	78	80	80	82	80
Mean number of employees	107.59	114.46	133.95	147.44	121.25	118.13	119.5	125.00

*Estimated figure

Table 5.6 The trend in the number of branch offices from 1998 to 2015

	1998	1999	2000	2003	2004	2006	2007
Branch offices	402	740	1.695	2.427	2.400	2.692	2.714
Operational agencies	33	41	51	65	73	83	81
Mean number of branch offices per agency	12.18	18.05	33.24	37.34	32.88	32.43	33.51
Mean number of employees per branch	3.38	3.49	2.78	3.21	3.35	3.53	4.00
		2008	2009	2010	2011	2012	2015
Branch offices		3.043	2.870	2.667	2.669	2.530	2.366
Operational agencies		78	80	80	87	89	95
Mean number of branch offices per agency		39.01	35.88	33.34	30.68	28.43	24.91
Mean number of employees per branch		3.78	3.38	3.54	3.67	0.00*	0.00*

*Information unavailable due to the lack of data for staff numbers for 2012 and 2015

The table does not include the figures for branch offices in 2001, 2002 and 2005 as the information is unavailable

previous year. Due to the economic crisis, the number of branch offices dropped from about 3000 in 2008 to the current figure of 2530.²

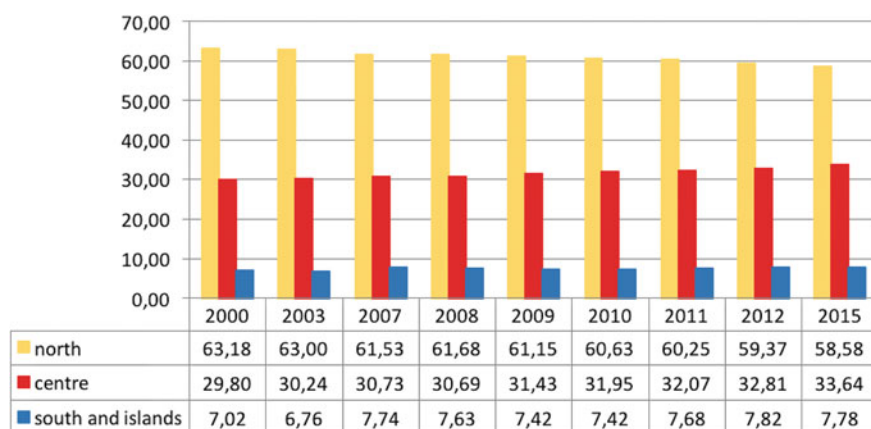
The most striking statistic is the fall in the number of branches between 2009 and 2010 and the zero growth in 2011, despite a 35 % rise in turnover over a three year period.

On the one hand, it would appear that the choice of TWAs to close branch offices was not due, but, on the other hand, they seemed to have been reluctant to pursue a development and growth policy given that macroeconomic conditions were still extremely uncertain. Due to the combined effect of the decrease in the number of branch offices and the increase in the number of operators, the mean number of branch offices per agency fell from 35.8 in 2009 to 27.2 in 2012. Following the drastic reduction in 2009 (-11 %), the number of members of staff per branch office gradually increased during the three-year period from 3.38 employees in 2009 to 3.67 in 2011 (Table 5.6).

The analysis of the distribution of agencies, based on macro-areas, highlights the preponderance of agencies in northern Italy, followed by central Italy. The south has a marginal role; in 2012, only 7.82 % of Italian branch offices were situated in this part of Italy (Table 5.7).

There are many agencies with over 40 % of their branch offices located in just two regions.

²The statistics related to the branch offices stem from our analysis of information taken from the websites of employment agencies, their financial statements and the Computerized Register of employment agencies of the Ministry of Labor and Social Policy.

Table 5.7 The distribution of the macro-areas of branch offices from 2000 to 2015

In order to analyze the local distribution of Italian TWAs we focus on the number of branches and their distribution in macro-areas (North, Centre, South and Islands). By grouping agencies according to local area (Table 5.8), they can be divided into three types: selective agencies (situated in only a few regions), “unevenly distributed” agencies (agencies that chose to have branches in 5–14 regions) and widespread agencies (spread uniformly over virtually all regions of Italy).

During the three-year period 2009–2011 the situation remained largely unchanged: most agencies continued to opt for an uneven distribution (57 % in 2011, a 2 % rise compared to 2009 when the figure was 55 %); in 2012, this approach was still the most popular although the “selective” approach gained considerable ground. During the last year, the importance of these agencies, in terms of branch numbers, fell from 43.4 % in 2011 to 39.4 % in 2012.

The number of agencies that pursued a widespread approach remained stable over the three-year period (7 agencies) but their importance diminished; in terms of the numbers of branch offices, this type of agency increased from 51.1 % in 2011 to 53.1 in 2012.

Table 5.8 The distribution of the number of branch offices according to the local approach from 2003 to 2015

	2003	2007	2008	2009	2010	2011	2012	2015
Selective	33.8	30.9	29.5	28.8	30.0	24.4	29.0	37.0
Uneven distribution	53.9	55.6	57.7	55.0	56.3	57.0	44.1	43.4
Widespread	10.8	7.4	10.3	8.8	8.8	8.1	7.5	7.6
n.a.	1.5	6.1	2.5	7.4	4.9	10.5	19.4	12.0

Table 5.9 The level of concentration of the sector from 2001 to 2014

	Leading 3 agencies		Leading 5 agencies	
	Val. %	Variation	Val. %	Variation
2001	56.3	-3.6	61.9	-4.1
2002	51.7	-4.6	59.4	-2.5
2003	49.0	-2.7	57.3	-2.1
2004	47.5	-1.5	56.6	-0.7
2005	46.1	-1.4	54.4	-2.2
2006	44.4	-1.7	53.5	-0.9
2007	42.6	-1.8	52.2	-1.3
2008	41.7	-0.9	53.9	+1.7
2009	38.2	-3.5	52.2	-1.7
2010	38.8	+0.6	51.3	-0.9
2011	40.4	+1.6	52.3	+1.0
2012	39.0	-1.4	51.7	-0.6
2013	37.7	-1.3	50.2	-1.5
2014	38.4	+0.7	52.7	+2.5

5.2.6 The Level of Concentration

Considering the three leading agencies the level of concentration of the sector is 38 % and in the last years it has remained quite stable.

After a period of growth from 1998 to 2000, the level of concentration of the sector has gradually decreased from 56.3 % (2001) to 38.2 % (2009 %).

The figures referring to the five leading agencies display a different trend from the decline in 2008 (+1.7 % compared to 2007). During the next years, however, the leading five agencies once more fell down (-1.7 in 2009 and -0.9 in 2010) (Table 5.9).

5.3 Collective Performance

Despite the serious economic crisis setting in Italy since 2008, the TWA sector has managed to improve its performance in the period 2012–2014 both in terms of penetration and turnover.

This paragraph offers an analysis of the main results achieved by agencies in Italy during the three-year period 2012–2014.

The following parameters were used to measure the performance of the sector:

1. agency work as a percentage of total employment;
2. the market share of agency work in relation to the total employment contracts;
3. the number of agency workers sent to user firms.

The analysis subsequently focuses on collective performances of TWAs in the different Italian Regions and according to different sectors.

5.3.1 Agency Work as a Percentage of Total Employment

The first parameter used to measure the performance of the sector is agency work as a percentage of total employment, calculated on the basis of full-time equivalent employees. This parameter measures the sector's success within a country's labor market. Agency work, after a constant increase from 2000 to 2008, dropped sharply in 2009 from 1.26 to 0.95 %. This figure provides evidence of the fact that, with the onset of the crisis, firms begun by laying off workers with fixed-term contracts including agency staff.

In the period 2010–2014 the percentage of agency workers gradually increased reaching the peak of 1.4 % in 2014. The penetration rate in Europe (1.7 %) is still higher notwithstanding the increase in recent years (Table 5.10).

5.3.2 The Market Share of Agency Work

A second parameter measuring performance is the agency work as a percentage on the total amount of employment contracts signed. This parameter highlights the competitiveness of agency work (temporary and permanent agency contracts) with respect to other employment contracts (permanent full time contracts, fixed term contracts, seasonal work and apprenticeships). In some respects, this statistic can be considered as the market share of agency work. In the period 2012–2014 agency contracts have risen from 10.3 to 12.2 %, with an increase of 12.3 % from 2013 to 2014, compared to an overall increase of 4 %. No other form of employment contract has similarly increased over the same period. In the following table we show this trend (Table 5.11).

5.3.3 The Number of Agency Workers

A third parameter concerns the number of agency workers employed by users firms. In 2014, Italian TWAs sent 236.602 workers to user firms (month average), 25.861

Table 5.10 Agency work as a percentage of total employment (values expressed as %)

2001	2005	2008	2010	2011	2012	2013	2014
0.5	0.9	1.2	1.1	1.1	1.2	1.3	1.4

Source Ebitemp observatory and assolavoro

Table 5.11 Employment contracts signed according to different types of contracts (2012–2014). Absolute values, percentages and percentage variations

Type of contract	2012		2013		2014		% Var. 2013–2014
	A.V.	%	A.V.	%	A.V.	%	
Permanent full time contract	1,804,552	15.7	1,611,176	14.8	1,622,373	14.3	0.7
Fixed term contract	6,537,484	57	6,573,978	60.2	6,850,973	60.3	4.2
Apprenticeship	280,499	2.4	243,847	2.2	254,657	2.2	4.4
Project contract	795,860	7.0	678,056	6.2	684,516	6.0	1.0
Agency work	1,182,534	10.3	1,236,728	11.3	1,388,314	12.2	12.3
Other	869,620	7.6	578,44	5.3	562,511	5.0	-2.7
Total	11,470,549	100	10,921,929	100	11,363,344	100	4.0

Source Italian ministry of labor

Agency work includes temporary and permanent agency contracts in private and public organizations

“Other” includes: training and work contract (only in P.A.), starter contract, freelance contract in entertainment industry, seasonal and intermittent contract

Table 5.12 Agency workers (on both temporary and permanent basis)

	2012	2013	2014
Numbers of contracts	1,182,534	1,236,728	1,388,314
Numbers of workers (month average)	210.71	215.929	236.602

Source: Italian minister of labor

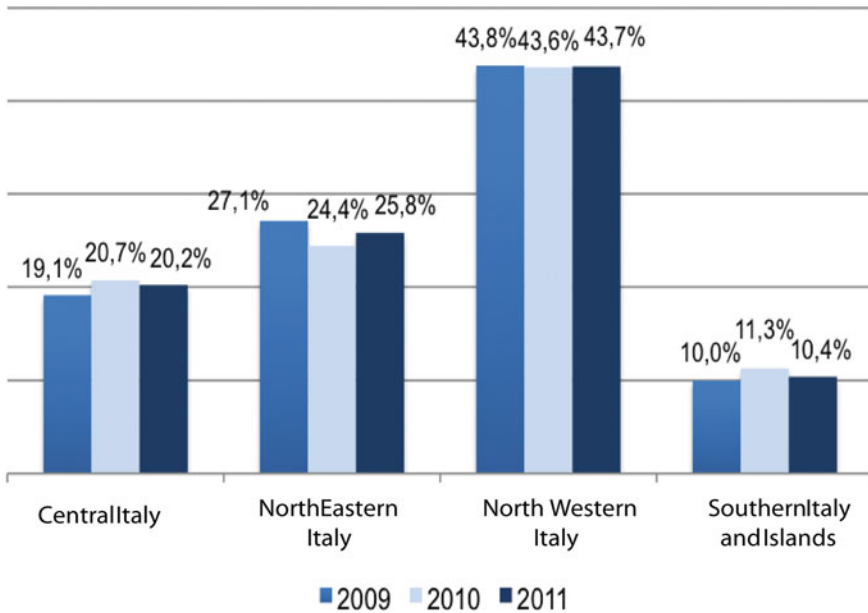
more than in 2012 (Table 5.12). During the two-year period 2012–2014 the increasing percentage is of 12.2 % (Table 5.11).

5.3.4 The Performances in the Italian Regions

As told above it is also interesting to understand how TWAs are locally distributed. TWAs are mainly concentrated in the Regions of the Northern Italy. In 2014 more than of 53 % of contracts have been signed in four Regions of the Northern Italy (Lombardia, Emilia Romagna, Piemonte and Veneto), only 16 % of the market is located in the South of Italy (Table 5.13).

In this sense, following we illustrate two graphs with the local concentration of agency contracts signed. The first histogram concerns agency contracts signed in the period 2009–2011 showing the distribution in the central Italy, north eastern and north western Italy and in the South and islands. The second one shows the

Table 5.13 TWAs distribution according to the territorial division



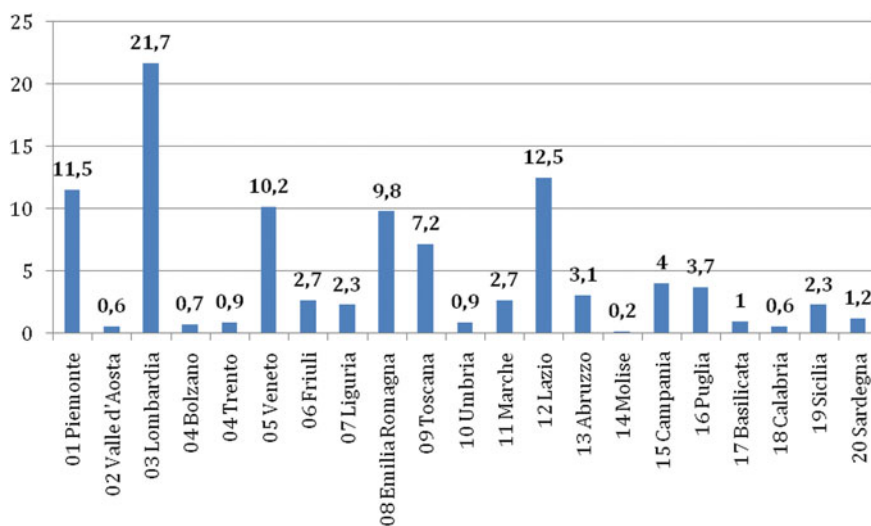
Source Ebitemp observatory

percentage distribution of the contracts signed by Region in 2014, from which it can be still derived strong differences between North and South (Table 5.14).

5.3.5 The Performances in the Different Industries

One of the most important aspect concerns the employ of agency contracts in different industrial sectors. Table 5.15 shows those industries that mostly ask for agency contracts. In particular manufacturing industry appears as the most relevant sector in the use of agency contracts, with a strong increase in 2014.

As can be seen from the table, in 2014 in Italy, industrials asked for more than 500,000 agency contracts, with an increase of 14 % compared to 2013. In particular, agency work is widely used in the manufacturing industry (36 %), followed by utilities: transportation, communication, financial services, business services (19.6 %), trade (16.6 %), hospitality and restaurants and bars (15.3 %), public administration, health care and education (4.7 %). In 2014 the utilities industry signed 847,000 agency contracts equal to 61 % of the total amount in the other industries and with an increase of 11 % compared to 2013.

Table 5.14 Percentage distribution according to different Italian regions of temporary and permanent agency contracts signed in 2014

Source Italian ministry of labor

Table 5.15 Temporary and permanent agency contracts signed in 2012, 2013, 2014 according different industries

Industry	2012	2013	2014	% distribution 2014	% variation 2013–2014	% incidence on the total amount of agency contracts signed in 2014
<i>Agriculture</i>	11.772	14.589	17.229	1.2	18.1	1.2
<i>Industrials (total)</i>	421.240	460.205	523.791	37.7	13.8	27.8
Manufacturing	399.524	438.829	500.315	36.0	14.0	38.8
Constructions	21.716	21.376	23.476	1.7	9.8	4
<i>Utilities</i>	749.522	761.934	847.294	61.0	11.2	10.6
Trade and servicing	237.803	213.172	230.085	16.6	7.9	25.6
Hospitality, restaurants and bars	201.812	203.057	212.987	15.3	4.9	11.6
Transportation, communication, financial and business services	209.273	234.271	271.489	19.6	15.9	15.4

(continued)

Table 5.15 (continued)

Industry	2012	2013	2014	% distribution 2014	% variation 2013–2014	% incidence on the total amount of agency contracts signed in 2014
P.A., health care, education	48.702	55.598	65.170	4.7	17.2	3.2
Productions of family and households	13.465	15.050	15.634	1.1	3.9	3.9
Other public and social utilities	38.467	40.786	51.929	3.7	27.3	4.7
Total	1,182,534	1,236,728	1,388,314	1000	12.3	12.2

Source Italian ministry of labor

5.4 Performance Indicators

The performance indicators of the sector consist of a series of parameters for assessing the mean productivity of the agencies in the sector.

The following performance indicators were chosen:

1. Mean turnover per employee;
2. Mean turnover per branch office;
3. Mean number of employees per branch.

5.4.1 Mean Turnover Per Employee

After years of steady increases, the mean turnover per employee fell sharply in 2009 (–18.8 %). Besides being influenced by the reduction in turnover, the drop was partly caused by the job security agreement used by many agencies. The reduced number of working hours, which was applied to about 40 % of the staff, obviously had an impact on the performance indicator.

In 2010, the mean turnover per employee rose significantly (+25.4 %) mainly due to an increase in revenue.

In 2011 the indicator continued to improve (+6.9 %), reaching a higher level for the sector. This result is linked to the fact that the growth in turnover during 2011 was much more significant than the growth in staff numbers.

In the last four years the mean turnover per employee constantly rose: in 2015 the indicator reached a record level (+22 %). This result is linked to the increased demand level due also to the tax relief (Table 5.16).

Table 5.16 The trend in mean turnover per employee

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	429	497	544	578	593	586	476	597	663	642	721	771	941

Source company financial statements (data in thousands of euro)
Data are estimated

Table 5.17 The trend in mean turnover per branch

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
n.a.	1.380	n.a.	n.a.	2.112	2.371	2.214	1.610	2.117	2.401	n.a.	2.504	2.960	3.472

The 2015 turnover figures are estimates

Table 5.18 The trend of the mean number of employees per branch

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
n.a.	3.21	3.50	n.a.	3.65	4.00	3.78	3.38	3.54	3.62	n.a.	3.47	3.84	3.69

The 2015 employee figures are estimates

5.4.2 Mean Turnover Per Branch

After a slight fall in 2008 (−6.6 %) the mean turnover per branch dropped sharply in 2009 (−27.3 %) although the situation picked up considerably in subsequent years. From 2009 the mean turnover per branch significantly increased especially in 2014 (+18.2 %) and in 2015 (+17.3 %) (Table 5.17).

This increasing value is linked to both the significant rise in turnover and the choice to maintain their own local structure not increasing the number of branches. Most operators therefore decided start a process of reorganization: some operators chose to centralize the administrative processes within branches, while others chose to create bigger branches in order to take advantage of economies of scale.

5.4.3 The Mean Number of Employees Per Branch

After a steady increase until 2007, the mean number of employees per branch fell in 2008 (−5.5 %) and dropped even further in 2009 (−10.6 %). It increased again in 2014 (+10.7 %) before slightly decreasing in 2015 (−3.9 %) (Table 5.18).

This trend shows that agencies chose to carry out addition in their local structure rather than increasing the resources devoted to each single branch office.

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Chapter 6

The Economic and Financial Performance of the Sector

Abstract The following chapter analyzes the economic and financial dynamics of the industry through an analysis of the balance sheets. In particular, the chapter presents the methodology we follow to analyze the balance sheets, consisting in financial ratio analysis to assess the performances and our universe of study. Moreover we present the economic and financial analysis of the Italian TWAs from 2001 to 2014, examining the capital structure and the income statement structure, their productivity and financial stability and the agency work margin from 2011 to 2014.

Keywords Financial dynamics · Balance sheets · Profit and loss account · Productivity

6.1 Introduction and Methodology

The research methodology used to analyze the balance sheets consist in financial ratio analysis to assess the performance of the sector. The balance sheets of individual companies were reclassified to provide an overview of the economic and financial dynamics of the sector.

The following reclassification criteria were used:

- The financial method for the balance sheet;
- The value added method for the income statement.

The financial criterion is based on funding liquidity risk for assets and on the principle of payability for liabilities, in other words the speed of transformation into money (receipts-payments) of the various values. The assets have been revised to show the different forms of investment while the liabilities and the net assets have been revised to show the sources of finance (sources) (Consiglio and Moschera 2001, 2005, 2008, 2010).

With the contribution of Francesco Cirillo and Fabrizio Ferrentino.

Table 6.1 The reclassified balance sheet

A	Property, plant and equipment
	Intangible fixed assets
	Financial fixed assets
	NET FIXED ASSETS (Af)
B	Inventory
	Accounts receivable
	Prepayments and accruals
	Overdue debts to suppliers
	Other payables and accruals
	NET WORKING CAPITAL
C = A + B	NET INVESTED CAPITAL
D	Share capital
	Profit and loss account reserve
	EQUITY
E	Operational funds
	FUNDS (F)
F	Medium-long term financial position
	Net Short term financial position
	NET FINANCIAL POSITION
G = D + E + F	TOTAL SOURCES

The reclassification of financial statements is an operation designed to prepare the “items” of balance sheets for an analysis of financial performance and modifies several aspects of Italian legislation which are not compatible with the objectives of business analysis. The main aim is to facilitate the use of audit tools and financial analysis and to make it easier to make intra and inter-company comparisons

To provide a clearer understanding of the methodology employed, Table 6.1 shows the reclassified balance sheet.

The macro-classes group together the balance sheet items using the financial criterion.

The investments have been subdivided into the following macro-aggregates:

- Net Fixed assets regard the book value of long-term investments, net of accumulated depreciation, and represent the use of financial resources that require a long time to be renewed (intangible assets, tangible assets and financial assets), in other words renewable intangible assets which are slowly realized.
- Net working capital is the difference between current assets (inventory, accounts receivable, prepayments and accruals) and current liabilities (trade debts, tax liabilities and other receivables) and represents the volume of the company’s long term resources that constitute and finance the company’s business operations.
- Net invested capital represents the sum of a company’s investments to carry out its business operations and is equal to the fixed assets plus the net working capital.

The sources have been divided into the following macro-aggregates:

- Equity are the financial assets purchased with restrictions on ownership and full risk and represent internal sources of funding which come, directly or indirectly, from the party or parties that form and promote the company (share capital, retained earnings and contributed equity capital).
- Funds represent the reserves allocated by the company to cover workers’ termination indemnity payments and other consolidation funds for future liabilities and charges which, by their very nature, have medium- to long-term maturities.
- Net financial position indicates a company’s liquidity (if negative) or the total of the company’s access to interest-bearing loans (if positive). It is the difference between liquidity and financial loans and financial liabilities (financial assets—financial liabilities).

The income statement has been reclassified using the added value method since this type of reclassification makes it possible to find out both the result of the overall management of the company (operating profit or loss) and also the value created by the company, in other words the Added Value that represents the difference between how much the company has produced and how much it has purchased from outside. The Added Value was then disaggregated highlighting the gross margin (Ebitda) by subtracting staff costs and the operating margin (Ebit) by subtracting amortization rates (including depreciation).

For greater clarity, Table 6.2 shows the reclassification of the profit and loss account used in the study.

The following reclassification model was employed:

- Income corresponds to the total value of overall production both of income from agency work and income and proceeds of other types.
- External costs represent the total of operating costs and fixed costs (purchases, services, leased assets).
- Staff costs include the total staff costs, both agency employees and agency workers.

Table 6.2 The reclassified profit and loss account

REVENUES	Rt
External costs	
ADDED VALUE	VA
Staff costs	
EBITDA	Ebitda
Amortization and provisions	
EBIT	Ebit
Financial revenues and charges	Gfin
Extraordinary revenues and charges	Gstr
GROSS PROFIT	U1
Taxes	
NET PROFIT	Un

- EBITDA (*earning before interest, taxes, depreciation and amortization*) represents the gross operating margin which measures the value available after paying employees and temporary workers.
- EBIT (*earning before interest and taxes*) represents the net operating margin, in other words the operations management of the company.
- Financial income and charges represent the result of the financial running of the company.
- Extraordinary income and charges represent the result of items deriving from the company's extraordinary operations.
- Net profit, in other words the positive or negative result of the company during the financial year under consideration.

The reclassification of the balance sheets of the individual agencies was used to calculate the structure of earnings and capital in the sector, in average terms, for each year of the study to highlight the economic, property and financial aggregates of the temporary employment agency sector.

The reclassified balance sheets were used to calculate the indicators of the earnings and financial performance of the sector in order to assess the management of the sector during the studied period.

6.2 The Study Population

Forty eight employment agencies were included in the analysis (universe/sector).¹ The selection of the analyzed companies was made on the basis of the availability of balance sheets for the four years under examination (2011, 2012, 2013, 2014), and by considering the availability of data on employees and their cost.²

The sample of companies for the year 2014 represents 53 % of the total turnover of agency work and 54.8 % of the companies in the sector. The distribution in terms of classes of turnover of the agencies within the universe (Table 6.3) underestimates the importance of “micro” agencies and slightly underestimates the importance of “small” and “average-sized” agencies.³ After analyzing the individual balance sheets of the agencies in sector, an “aggregate” profit and loss account and balance sheet was created by adding the values of the balance sheets to gain a quantitative overview of the entire sector for the period 2011–2014.

¹For the year 2014 46 companies were analyzed since the study didn't include the Altro Lavoro and Start People agency which merged with Orienta spa and Randstad Italia.

²To compare the agencies within the sample universe, the following assumptions were made: (1) the annual unit cost of agencies' employees was estimated at about 38 thousand euro; (2) in some cases the employees were identified by dividing the total fixed overheads by the mean cost as shown above; (3) in other cases, when the numbers of agencies' employees were available, the cost was estimated by multiplying the employees by mean cost.

³The study does not include the 38 agencies operating in 2014 and, in particular, 6 agencies for which balance sheets are not available, 4 agencies that focused on different activities.

Table 6.3 The distribution per turnover category of the agencies included in the universe of agencies (2014)

Dimensional cluster	No. company	% of total	Turnover ^a (thousands of euro)	% of total
“Micro” agencies (€0 to 20 million)	8	17.4	102,632	1.6
“Small” agencies (from €21 to 40 million)	11	23.9	308,967	4.8
“Medium-sized” agencies (from €41 to 100 million)	11	23.9	646,625	9.9
“Medium-large” agencies (from €101 to 400 million)	12	26.1	2,235,047	34.5
“Large” agencies (more than €400 million)	4	8.7	3,189,913	49.2
	46	100.0	6,483,184	100.0

^aTurnover from temporary employment

6.3 The Income Statements Structure

An analysis of the reclassified profit and loss account reveals a sharp fall in revenue from agency due to the crisis in 2009. Despite the significant growth in revenue in the sector in 2010 (21.9 % compared to 2009) and new fall in 2011 and the overall value of production returned to the values of 2008 (5.6 billion euro) during the period 2013–2014 (Fig. 6.1).

During the four-year period, the turnover of the clusters of “large” and “medium-sized” agencies increased from 4.6 billion euro to 5.3 billion euro.

In 2014 16 agencies registered revenue over 100 million euro, compared to 12 agencies of 2011 (Table 6.4).

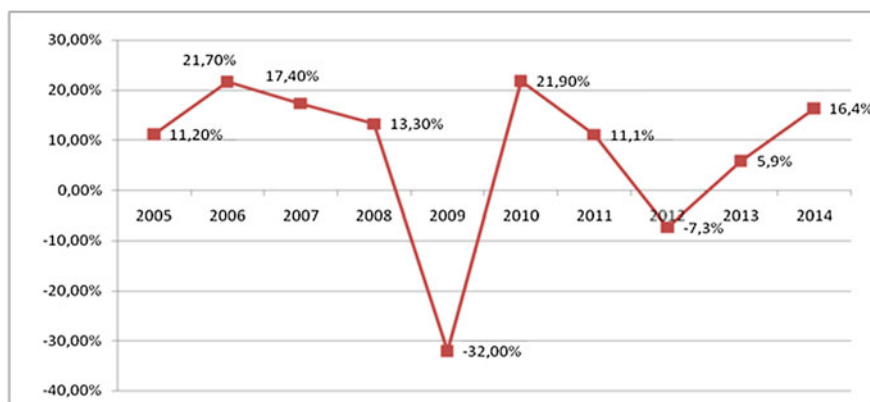
**Fig. 6.1** The trend of revenues from agency work (value as a %)

Table 6.4 The turnover trend from agency work in the clusters (values expressed in thousands of euro)

	2011	2012	2013	2014
“Micro” agencies (€0 to 20 million)	116,971	158,915	135,049	102,632
“Small” agencies (from €21 to 40 million)	324,602	312,337	284,428	308,967
“Medium-sized” agencies (from €41 to 100 million)	852,471	927,294	830,750	646,625
“Medium-large” agencies (from €101 to 400 million)	1,660,202	1,448,105	1,870,897	2,235,047
“Large” agencies (more than €400 million)	3,023,217	2,708,597	2,770,593	3,189,913
Total	5,977,463	5,555,248	5,891,717	6,483,184
Increase (%)	14.1	-7.1	6.1	10.0

Table 6.5 The cost structure for the period 2001–2014 (value as a %)

Year	External costs	Labor costs	Amortization
	As a percentage of total costs	As a percentage of total costs	As a percentage of total costs
2001	12.0	86.8	1.2
2002	11.0	87.6	1.4
2003	11.1	87.4	1.5
2004	10.3	87.9	1.8
2005	10.0	88.3	1.7
2006	9.9	88.6	1.5
2007	9.7	88.8	1.5
2008	9.6	89.0	1.4
2009	10.5	88.2	1.3
2010	9.0	89.7	1.3
2011	8.9	90.1	1.0
2012	8.7	90.2	1.1
2013	8.4	90.4	1.2
2014	8.2	91.0	0.8

The costs structure of agencies is marked by extremely high labor costs (about 90 % of total costs) which gradually increased over the years (Table 6.5).

The external costs, which represent structural and operating costs, came to 531 million euro overall in 2014 and were about 5 million euro less than in 2011. Their percentage share gradually fell from 12 % in 2001 to 9 % in 2010 and to 8.2 % in 2014; only in 2009 was the trend reversed with a higher value than the previous year.

Labor costs increased by 457 million euro (about 8.4 %) as well as revenue from agency work increased by 497 million euro (8.3 %) over the period 2011–2014.

Table 6.6 The incidence of the cost of temporary and permanent agency work 2003–2014 (value as a %)

Year	Cost of agencies' workers	Cost of agencies' employees	Labor costs
2003	91.3	8.7	100.0
2004	92.9	7.1	100.0
2005	93.2	6.8	100.0
2006	93.5	6.5	100.0
2007	92.9	7.1	100.0
2008	92.5	7.5	100.0
2009	91.6	8.4	100.0
2010	93.1	6.9	100.0
2011	93.2	6.8	100.0
2012	93.1	6.9	100.0
2013	93.8	6.2	100.0
2014	94.2	5.8	100.0

Total staff costs were 5.8 billion euro which can be broken down as follows (Table 6.6):

- 342 million euro, *agencies' employees* equal to 5.3 % of revenue from agency work, whose percentage share fell compared to previous fiscal years (6.7 % in 2008, 7.7 % in 2009, 6.2 % in 2012 and 5.6 % in 2013);
- 5.5 billion euro, *agency workers* equal to 85.4 % of total revenue from agency work, whose percentage share rose compared to previous fiscal years (82.9 % in 2008, 83.4 % in 2009 and 85.5 % in 2013), highlighting a significant decrease in aggregate mark up.

The *number of employees of TWAs* in the sector fell by 684 units compared to 2011 (–7 %) and reached 8501 during 2014.⁴

Amortization in 2014 totaled 54 million euro, the equivalent of 0.8 % of total revenue. It represents a limited percentage of total costs due to the reduced investments in fixed assets by companies in the sector. The importance of amortization fell during the period 2011–2014.

Financial Charges totaled 14 million euro, the equivalent of 0.2 % of total revenue (it remained unaltered compared to previous fiscal years). Its absolute value increased to 4.1 million euro (9.8 million euro in 2011). The growth was due to the increase of the cost of money during the period under analysis.

Extraordinary revenue in 2014 totaled 345 thousands euro with no significant impact on of total revenue of the sector. This item was recorded for companies in the “large” cluster due to voluntary redundancy incentive plans, restructuring plans and tax provisions for previous years. In particular companies in the “large” cluster totaled 2 million euro revenue.

⁴This figure refers to the 46 agencies analyzed in the study.

Taxes amounted at 63 million euro, the equivalent of 0.9 % of total revenue, and their percentage increase compared to previous years. The tax rate (ratio between taxes and gross profit) in 2014 totalized 42 %. It increased compared to 2011 (37 %).

Cash-Flow (net profit + amortization = self-financing) is equal to about 142 million euro and represents about 2.1 % of total revenue (in 2011 it was equal to 2.5 %).

The main economic indicators of the sector indicate a sharp slowdown which reflects the reduced profitability of the sector.

Ebitda increased in 2011, compared to 2010 when it reached 186.9 million euro before undergoing a sharp reduction (-22.8 %) in 2012 when it totalized 144.2 million euro. It increased again in 2013 when it reached 170.7 million euro and in 2014 to 223 million euro representing 3.4 % of total revenue (Figs. 6.2 and 6.3).

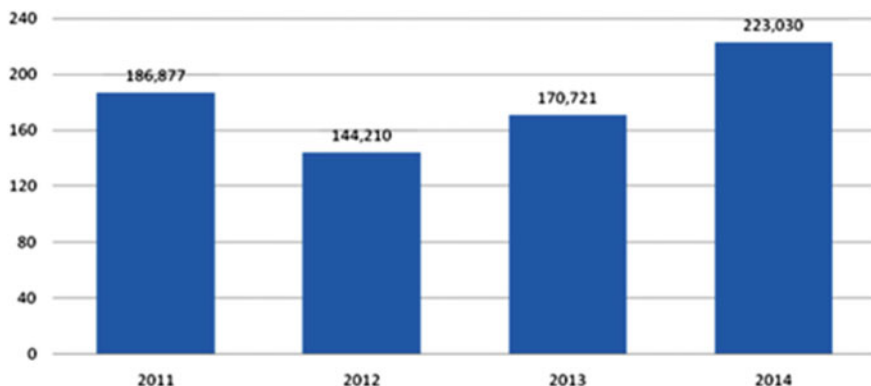


Fig. 6.2 Ebitda 2011–2014 (value in millions of euro)

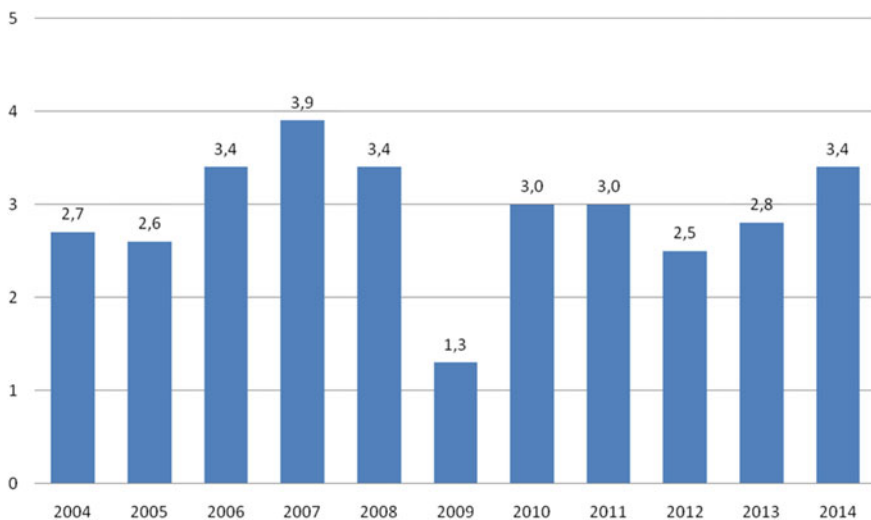


Fig. 6.3 Ebitda as a percentage of total revenue 2004–2014 (value as a %)

The value of Ebit followed a similar trend to that of Ebitda; from 124 million in 2011 representing 2 % of the total revenue to 169 million in 2014 representing 2.5 % the total revenue, while in 2012 and in 2013 the sector reduced its profits (Tables 6.7 and 6.8).

Table 6.7 Ebit 2011–2014 (value in millions of euro)

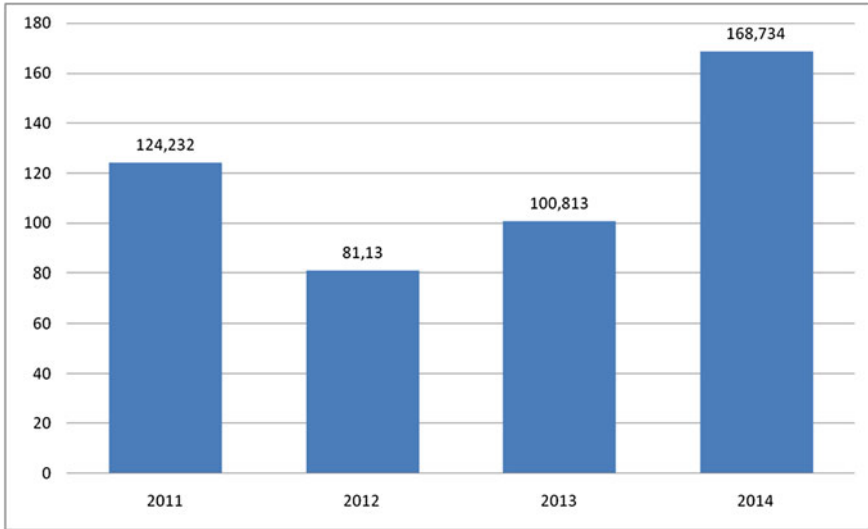
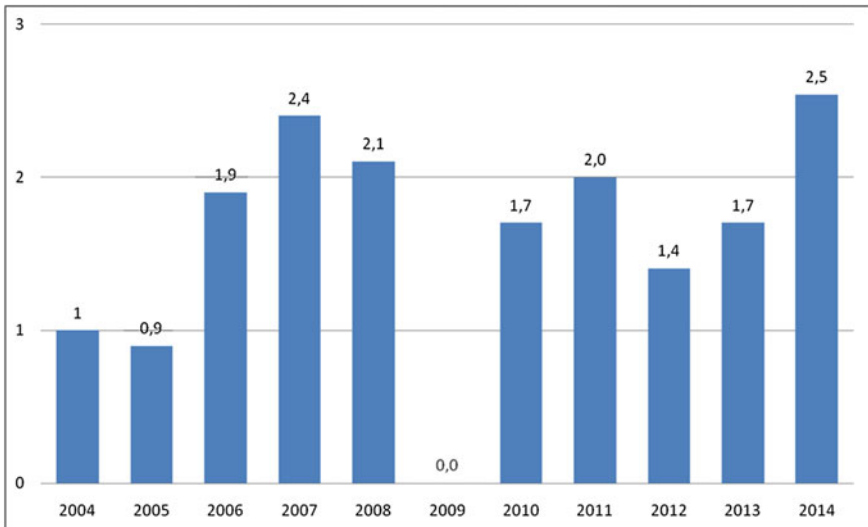


Table 6.8 Ebit as a percentage of total revenue 2004–2014 (value as a %)



After reaching a value of 88.2 million euro in 2011 (equal to 1.4 % of the total revenue of the sector), net profit decreased in 2012 and 2103 from 48 million euro to 25.8 million euro, before returning to 87.9 million in 2014 (equal to 1.3 % of the total revenue) (Tables 6.9 and 6.10).

Table 6.9 Net profit 2011–2014 (value in millions of euro)

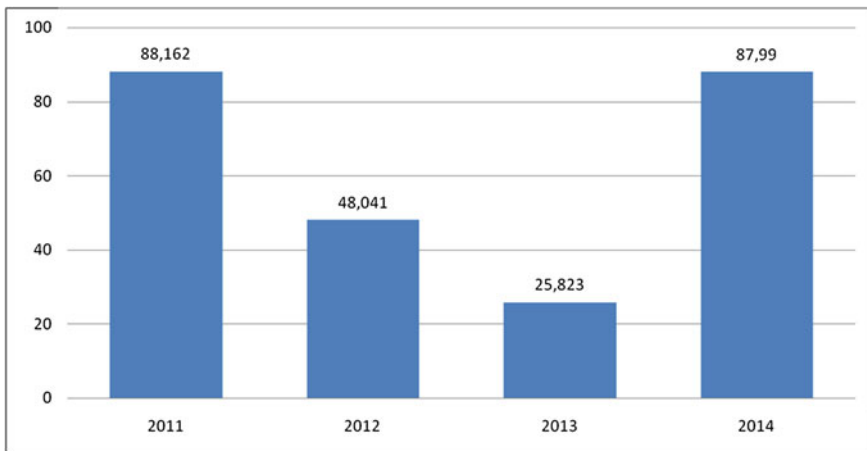
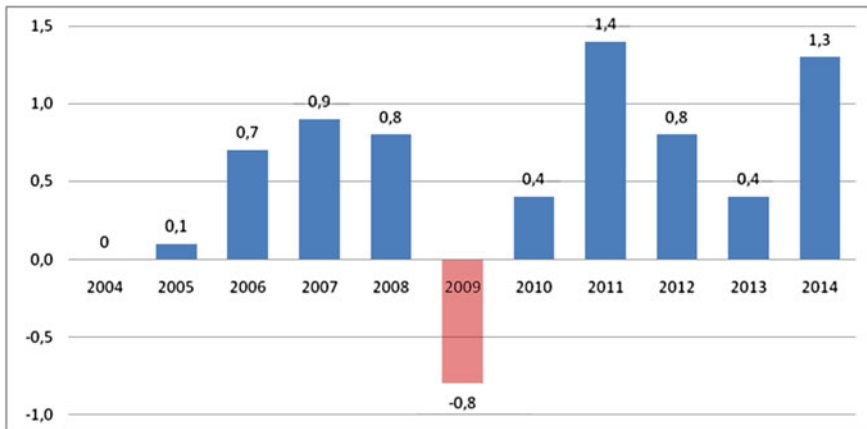


Table 6.10 Net profit as a percentage of total revenue 2004–2014 (values %)



The agency work margin, in other words the difference between revenue from agency work and the cost of agency staff, representing the margin of intermediating temporary work (the mark up), was equal to 943.7 million euro. It increased to 14.4 million euro in 2014 and represents a share of 17.0 % (18.4 % in 2011) (Tables 6.11 and 6.12).

Table 6.11 The agency work margin 2011–2014 (value in millions of euro)

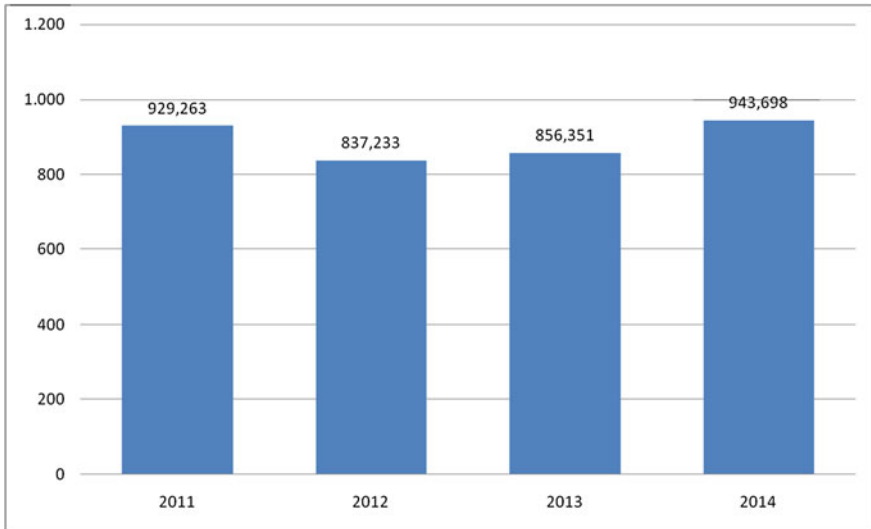


Table 6.12 The agency work margin (mark up) 2004–2014 (value as a percentage %)

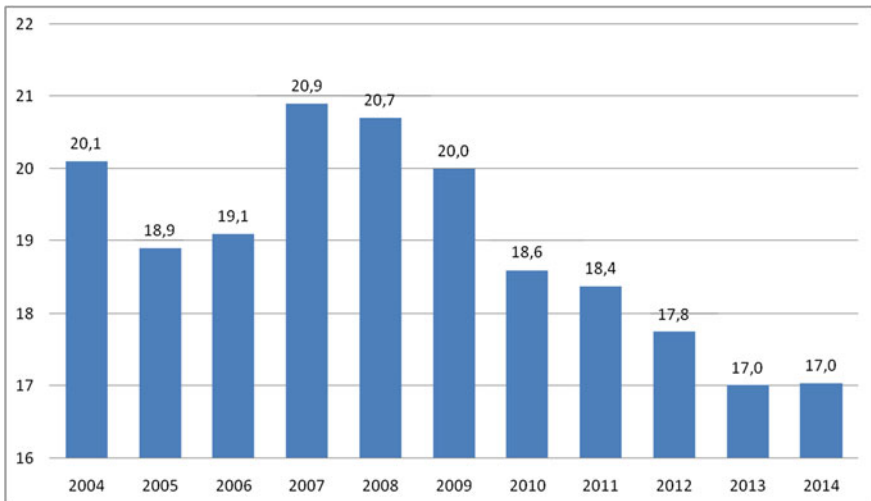


Table 6.13 The structure of the reclassified income statement of the sector (value in thousands of euro)

	2011		2012		2013		2014		Δ		Δ	
	val	%	Val	%	val	%	val	%	2014	%	2013	%
REVENUE	6,146,912	100	5,699,775	100	6,034,918	100	6,635,194	100	5.9	-1.8	7.9	
Revenue for agency work	5,986,156	97.4	5,555,248	97.5	5,891,717	97.6	6,483,184	97.7	6.1	-1.6	8.3	
Other sources of revenue	160,756	2.6	144,527	2.5	143,201	2.4	152,010	2.3	-0.9	-10.9	-5.4	
External costs	535,959	8.7	490,549	8.6	497,819	8.2	531,014	8.0	1.5	-7.1	-0.9	
ADDED VALUE	5,610,953	91.3	5,209,226	91.4	5,537,099	91.8	6,104,180	92.0	6.3	-1.3	8.8	
Staff costs	5,424,076	88.2	5,065,016	88.9	5,366,378	88.9	5,881,150	88.6	5.9	-1.1	8.4	
Employees of TWAs	367,183	6.0	347,001	6.1	331,012	5.5	341,664	5.1	-4.6	-9.9	-6.9	
Agency workers	5,056,893	82.3	4,718,015	82.8	5,035,366	83.4	5,539,486	83.5	6.7	-0.4	9.5	
EBITDA	186,877	3.0	144,210	2.5	170,721	2.8	223,030	3.4	18.4	-8.6	19.3	
Amortization and provisions	62,644	1.0	63,080	1.1	69,908	1.2	54,296	0.8	10.8	11.6	-13.3	
EBIT	124,233	2.0	81,130	1.4	100,813	1.7	168,734	2.5	24.3	-18.9	35.8	
Financial income and charges	-9830	0.2	-12,603	0.2	-15,982	-0.3	-13,835	0.2	26.8	62.6	40.7	
Extraordinary revenues and charges	24,970	0.4	-1288	0.0	4248	0.1	-345	0.0	-429.8	-83.0	-101.4	
GROSS PROFIT	-385	0.0	-2701	0.0	-19,883	0.3	-3491	0.1	636.1	5064.4	806.8	
Taxes	138,988	2.3	64,538	1.1	69,196	1.1	151,063	2.3	7.2	-50.2	8.7	
NET PROFIT	-50,826	0.8	-16,497	0.3	-43,373	0.7	-63,073	1.0	162.9	-14.7	24.1	
REVENUE	88,162	1.4	48,041	0.8	25,823	0.4	87,990	1.3	-46.2	-70.7	-0.2	

In conclusion the table below (Table 6.13) shows the structure of the reclassified profit and loss account of the sector for the period 2011–2014.

6.4 The Capital Structure

Compared to 2011, the net invested capital of Italian TWAs increased in 2014 (+66.7 million euro) due to the growth in net working capital (+13.4 million euro) and the increase in fixed assets (+53.3 million euro). The variation can mainly be explained by the reclassification of credits in financial fixed assets.

Investments consist of 39.2 % of fixed assets and 60.8 % of net working capital. During the period 2011-2014, the structure of invested capital showed a gradual increase in the importance of fixed assets (36.6 % in 2011, 37.1 % in 2012, 37.7 % in 2013). Financial fixed assets (bank payables and shareholdings) became increasingly important.

The sector continues to display limited levels of investment in tangible, intangible and financial assets.

Accounts receivable rose by about 90 million, a decrease in their importance as a share of total revenue; they fell from 24.2 % in 2011 to 23.8 % in 2014 with a peak in 2009 (25.9 %). There was a decrease in days of sales outstanding (–8 days on average).

Equity represents about 57.9 % of the total of sources of funding; they increase in importance compared to 2011 (48.6 %), 2012 (48.4 %) and 2013 (50.5 %). The sector has met the increasing amount of capital invested with increased equity (90 million euro), funds reduction (–43 million euro) and net financial position. This reflects greater use of leverage but general stability of the sources of funding. During the fiscal years 2011 and 2014 the companies in the sector issued dividends worth about 86.9 million euro (19.5 million in 2011, 40.9 million in 2012, 15.7 million in 2013 and 10.8 million in 2014) the same period companies raised about 35.8 million euro in equity. The statement of variations in net assets is shown below (Table 6.14):

Table 6.14 Statement of charges in equity

	2011	2012	2013	2014
Initial equity	423,958	511,367	520,125	551,528
Operating profits or losses	88,161	48,041	25,823	87,993
Dividend payments	19,741	2172	250	13,624
Equity	–19,516	–40,900	–15,690	–10,838
Other charges in equity	–977	–555	21,020 ^a	4893 ^b
Final equity	511,367	520,125	551,528	647,200

^aIncreasing value of Humangest and Quanta

^bThe value of net asset of Start People and Altro Lavoro for the year 2013 (that has not been considered in the analysis of the year 2014 due to the merger process) is included in “other charges”

Table 6.15 The structure of the classified balance sheet (value in thousands of euro)

	2011		2012		2013		2014	
	val	%	val	%	val	%	val	%
NET FIXED ASSETS	384,538	37	398,697	37	412,158	38	437,835	39
NET WORKING CAPITAL	666,755	63	675,003	63	679,671	62	680,154	61
Accounts receivable	1,486,776	141	1,474,069	137	1,553,474	142	1,577,596	141
NET INVESTED CAPITAL	1,051,293	100	1,073,700	100	1,091,829	100	1,117,989	100
NET ASSETS	511,367	49	520,125	48	551,528	51	647,200	58
FUNDS	139,037	13	119,646	11	117,290	11	96,154	9
Net medium- to long-term debt	327,177	31	351,824	33	363,860	33	316,909	28
Net short-term debt	73,712	7	82,105	8	59,151	5	57,726	5
NET FINANCIAL POSITION	400,889	38	433,929	40	423,011	39	374,635	34
TOTAL SOURCES OF FUNDING	1,051,293	100	1,073,700	100	1,091,829	100	1,117,989	100

Funds (TFR or indemnity provision and provisions for liabilities) represent 8.6 % of the total sources of funding (10.7 % in 2013, 11.1 % in 2012 and 13.2 % in 2011).

The net financial position decreased from 331 million euro in 2011 (equal to 38.1 % of the sources of funding) to 374 million euro in 2014 (equal to 33.5 % of the total sources of funding). There was a lower use of short-term debt which represented about 84.6 % of the total debt of the sector (81.6 % in 2011). The sector maintained its overall stability during the three-year period 2011–2014, increasing its financial autonomy (debt to equity ratio). In conclusion the table below (Table 6.15) shows the structure of the reclassified balance sheet of the sector.

6.5 The Analysis of the Balance Sheet Using Sector Indices

The analysis of the balance sheet using sector indices revealed the main dynamics of the TWA sector in order to investigate the agencies' income, financial and capital structure.

Table 6.16 The trend for Roe in the sector from 2005 to 2014 (value %)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Roe	0.9	8.4	12.7	11.4	-8.9	5.1	17.2	9.2	4.7	13.7
Gross Roe	11.4	23.4	32.8	30.3	-0.3	21.9	24.3	15.6	18.3	26.1
Normalized Roe	-0.3	7.1	13.2	14.6	-6.8	9.8	12.4	8.9	3.9	13.5

The profitability analysis of the sector shows that, after reaching a peak in 2007, and slightly fell in 2009, the performance of TWAs fell during the period 2011–2014 increased their value.

The **ROE**⁵ (*Return on Equity*) analysis highlights the fact that the sector, reached a satisfactory good levels of profitability, dropped sharply in 2009 when the crisis was in full swing, before returning to levels in 2010 and in 2011. It dropped again in 2012 (9.2 %) and in 2013 (4.7 %) before growing again 2014 (13.7 %) (Table 6.16).

The return on capital recognizes a risk premium which varies from 7.63 points in 2008 to a negative value in 2009, before returning to a positive value in 2010 with a premium of 3.73 points, 14.2 points in 2011, 6.9 points in 2012, 3.7 points in 2013 and 13.2 points in 2014.⁶

Gross ROE, which represents the ratio between Ebit and net assets, highlights the extent to which the results of the fiscal year are influenced by financial charges,⁷ extraordinary charges⁸ and taxes.⁹ The index fell significantly from 2008 (30.3 %) to 2009 (-0.3 %) before regaining ground in 2010 (21.8 %), falling again in 2011 (24.3 %) to 2012 (15.6 %). It regained ground in 2013 (18.3 %) and in 2014 (26.1 %). Extraordinary charges had a limited significance while, simultaneously, the importance of taxes and financial charges increased.

Normalized ROE, which represents the ratio between net profit after tax and net assets, is positive and in 2014 reached 13.5 % (Table 6.17).

⁵The income indices allow verdicts to be made about the economic equilibrium of the sector. The standard index for assessing the profitability of the sector is ROE (Return on equity). ROE was broken down into two further indices: gross ROE (Ebit/equity) and normalized ROE (Net profit + extraordinary charges/equity) in order to understand the factors that influence the profitability of agencies. Another index that is important for the study of profitability is ROI (Return on investment) which measures the efficiency of the operational management and indicates the profitability of capital invested in the core business. In its turn, ROI is divided into its main components: ROS (Return on sales), which measures the average performance of each service and calculates, in percentage terms, the average gross profit margin; the productivity of invested capital which measures the number of times the invested capital rotates during the fiscal year due to company revenues.

⁶The premium was calculated as the difference between the ROE of the sector and the performance of annual Treasury bills. *Source* Italian Ministry of Economy and Finance.

⁷Operational management represents—(10.8 %) of the value of Ebit.

⁸Extraordinary management represents—(21.7 %) of the value of Ebit.

⁹Taxes represent—(44.4 %) of the value of Ebit.

Table 6.17 The maximum, minimum and mean values of ROE for the sector from 2005 to 2014 (value as %)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Maximum value	70.7	81.2	76.2	55.9	17.4	55.2	50.2	38.4	69.8	39.5
Minimum value	-129.2	-273.4	-36.58	-149.3	-988.8	-136.0	-45.3	-264.8	-386.7	-263.4
Mean value for the sector	0.9	8.4	12.7	11.4	-8.9	5.1	17.2	9.2	4.7	13.7
Mean value ROE	0.5	-0.4	10.6	5.8	-29.2	7.2	21.7	-3.9	3.8	10.6

Table 6.18 ROE analysis per company from 2011 to 2014

Roe	2011		2012		2013		2014	
	Number	%	Number	%	Number	%	Number	%
Above 20 %	16	33	7	15	10	21	14	30
Above 15 %	5	10	4	8	5	10	3	7
Above 5 %	9	19	17	35	14	29	14	30
Below 5 %	2	4	1	2	2	4	1	2
Below 4 %	0	0	1	2	1	2	1	2
Below 3 %	3	6	1	2	2	4	1	2
Below 2 %	2	4	1	2	2	4	1	2
Below 1 %	2	4	3	6	2	4	4	9
Below 0 %	9	19	13	27	10	21	7	15
	48	100	48	100	48	100	46	100

Table 6.19 The break down by size of agencies with a ROE above 15 %

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
“Micro” agencies	4	0	2	3	2	2	3	1	1	1
“Small” agencies	5	3	1	2	1	3	5	4	5	4
“Medium-sized” agencies	4	2	4	4	0	4	7	2	5	4
“Medium-large” agencies	3	5	6	5	0	3	3	1	3	6
“Large” agencies	0	1	1	2	0	1	3	3	1	2
	16	11	14	16	3	13	21	11	15	17
Value %	40	28	35	35	7	29	44	23	31	37

The ROE analysis (Table 6.18) shows that 17 agencies (15 in 2013, 11 in 2012 and 21 in 2011) had a good return on equity (Roe above 15 %), while 12 agencies (14 in 2013, 17 in 2012 and 13 in 2011) had an extremely low return on equity (Roe below 2 %).

Table 6.19 shows the breakdown by size of the agencies with a ROE above 15 % and highlights the greater number¹⁰ of classes of “large” agencies (56 %) had a ROE above 15 %. Only 15 % of the “micro” agencies have profitability levels higher than 15 %.

The ROI analysis shows (Table 6.20) that, after steady growth until 2007, the index fell in 2008 before becoming negative in the period 2008–2012 (−0.15 %) and returning to a positive value in 2013 and 2014 (10.48 %). The value of ROI rises again reaching the same value as 2008. This reduction is due to the increasing value of the net invested capital that is equal to 230 million di euro (+25 %).

¹⁰Ratio between the number of agencies in the cluster and the number of agencies with a ROE above 15 %.

Table 6.20 The trend for ROI in the sector from 2005 to 2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
ROI (%)	6.0	13.0	18.7	15.5	-0.2	10.5	11.8	7.6	9.2	15.1
Gross ROI (%)	17.4	23.5	29.9	25.1	6.6	18.1	17.8	13.4	15.6	19.9
ROS (%)	0.9	1.9	2.4	2.1	0.0	1.7	2.1	1.4	1.7	2.5
Performance of invested capital	6.6	6.9	7.7	7.3	5.1	6.1	5.9	5.3	5.5	5.9

Table 6.21 The ROI analysis broken down by company from 2011 to 2014

Roi	2011		2012		2013		2014	
	Number	%	Number	%	Number	%	Number	%
above 17.5 %	18	37.5	13	27.2	15	31.3	17	37.0
above 12.5 %	6	12.5	4	8.3	5	10.4	9	19.5
above 7.5 %	5	10.4	5	10.4	11	22.9	8	17.4
above 0 %	12	25.0	17	35.4	12	25	8	17.4
below 0 %	7	14.6	9	18.8	5	10.4	4	8.7
	48	100	48	100	48	100	46	100

In 2011 the index increased (11.8 %) before falling in 2012 (7.6 %) and finally rising again in 2014 (15.1 %).

A comparison between the average cost of money¹¹ and the ROI shows a differential of over 10 points in 2014 with swing data in the period under analysis.¹²

The growth in ROI can be explained by:

- a greater return on sales (ROS) which increase from 2.0 to 2.5 %;
- a greater return on invested capital which rotated 5.9 times as opposed to 5.9 times in 2011.

Gross ROI (EBITDA/Net Invested Capital) dropped sharply by about 2 points compared to 2011. The average growth is lower than the average figure for ROI (4.9 points) due to the increased importance of amortization and provisions.

The ROI analysis (Table 6.21) shows that the number of companies with a good return on invested capital (ROI above 17.5 %) fell from 18 (2011) to 17 (2014); the number of agencies with a negative return on investment (ROI below 0 %) fell from 7 to 4. In 2012 there were 26 agencies (54 %) with a ROI below 7.5 % and 13 displayed a good return on investment.

6.5.1 The Analysis of the Capital Structure of the Sector

The balance sheet ratios allow verdicts to be made on the composition of the invested capital, on the level of flexibility and rigidity of the financial structure, and on the correlation between financial sources and uses.

The analysis of financial and capital stability allows an assessment to be made of the stability of the entire temporary employment sector.

¹¹The average cost of money was calculated on the basis of the yield of Treasury bills to which a spread of 5 points was added.

¹²The difference between Roi and money cost is equal to 5.4 pp in 2011, to 2.4 pp in 2012 and 4 pp in 2013.

Table 6.22 The indices of the composition of investment 2005–2014 (values %)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Rigidity index	30	28	32	27	28	31	37	37	38	39
Elasticity index	70	72	68	73	72	69	63	63	62	61
Accounts receivable index	177	168	178	154	144	167	141	137	142	141

Table 6.23 Indices of the composition of the sources of funding 2005–2014 (values %)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Financial autonomy index	53	56	57	51	46	48	49	48	51	58
Debt index	47	44	43	49	54	52	51	52	49	42
Medium- to long-term debt index	14	25	21	22	20	21	20	19	16	14
Short-term debt index	33	19	22	27	34	31	31	33	33	28

The analysis of the indices shows that investment in the sector was marked by investment in working capital (61 %) and, in particular, by investment in accounts receivable (141 % of net invested capital). During the four-year period there was a slight fall in working capital (63 % in 2011) while and the percentage share of accounts receivable remain stable before decreasing in 2012 (137 %) (Table 6.22).

In terms of sources of funding, the sector is made up of equity which represents more than half of the sources of funding (58 % whereas it was 48 % in 2011), debt (34 %) and medium- to long-term funds (8 %). The use of short-term debt rose and in 2014 represented 28 % of the sources of funding (in 2011 it was 31 %). This figure is consistent and partly stems from the increase of payment terms of client firms (Table 6.23).

6.5.2 The Analysis of the Financial State of the Sector

The business' financial situation measures its solvency. It can normally be defined as the business' approach to dealing rapidly, and in an economic terms, with outflows stemming from operational management and as the business' access to adequate means of payment for sound management.

The fixed asset to equity capital margins show that the sector has equity (capital + reserves) and medium- to long-term funds to cover investments in fixed assets. On the one hand, this is due to the low requirements of investment in fixed

Table 6.24 The structure of fixed asset to equity capital margins in the sector from 2005 to 2014

	2008	2009	2010	2012	2013	2014
Fixed asset to equity capital ratio (%)	188	165	153	133	130	134
Fixed asset to equity capital margin	211,867	156,965	147,317	126,829	121,428	139,370
Fixed asset to equity capital and medium-long term debt ratio (%)	270	237	222	188	181	177
Fixed asset to equity capital and medium-long term debt margin	410,499	328,162	337,071	339,578	323,179	315,811

assets in the sector and, on the other hand, to the use of equity to manage cash flow. The fixed asset to equity capital margins in the sector have improved in absolute value while there has been a decrease in the fixed asset to equity capital ratio (Table 6.24).

The financial autonomy indices show that the net financial position of the agencies analyzed in this study is lower than the invested equity. This implies a decreasing use of financial leverage and increased financial autonomy in the sector (Table 6.25).

The accounts receivable for the sector rotate during the fiscal year 4.2 times (4.1 in 2011). The average days sales outstanding increased during the period (2012–2013) by about 6 days before returning to 87 days in 2014 (Table 6.26).

The balance sheet ratios show an increase in the incidence of the net financial position (financial debts) during cash flow management. In more detail, it can be seen that:

- the incidence of charges on total revenues has remained almost unchanged, equal to 0.2 % in 2011;
- the implicit cost of the increase in days sales outstanding¹³ is about 32 million euro, equal to 0.5 % of total revenue and fell as a percentage compared to previous fiscal years (0.8 % in 2011) due to the reduction in interest rates;

¹³Calculated on the basis of an annual rate of the euribor tax 3m + 2 p of spread (2006 = 6.6 %; 2007 = 5.7 %; 2008 = 5.2 %; 2009 = 3.3 %; 2010 = 2.8 %) and the average increase of collecting days. This index indicates the theoretical cost that the company has to bear to grant credit to its clients.

Table 6.25 Financial autonomy indices from 2005 to 2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt to equity ratio (%)	89	79	76	96	118	109	106	106	98	73
Debt to equity margin	-40,999	-78,622	-98,656	-18,370	73,112	36,714	28,559	33,450	-11,227	-176,411

Table 6.26 Rotation and the average days sales outstanding from 2005 to 2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Days sales out standing	3.7	4.1	4.4	4.8	3.6	3.6	4.1	3.9	3.9	4.2
Average collection period	98	89	84	77	102	100	88	94	94	87

Table 6.27 Financial indices from 2005 to 2010

	2008	2009	2010	2011	2012	2013	2014
Financial charges/sales ratio (%)	0.3	0.2	0.2	0.2	0.2	0.3	0.2
Cost of increase in days sales outstanding (€000) ^a	71,647	41,038	41,373	49,956	31,987	34,953	32,656
Net financial position/Pn (%)	73.1	95.6	80.7	78.4	83.4	76.7	57.7
Net financial position/Rt (%)	5.1	8.5	6.4	6.5	7.6	7.0	5.6
Net financial position/cash flow (%)	270.9	1662.5	387.0	265.8	390.5	441.9	261.4
Net financial position/net invested capital (%)	37.3	43.8	38.7	38.1	40.4	38.7	33.5
Net financial position/EBITDA (%)	148.4	665.7	214.3	214.5	300.9	247.8	168.0
Operational management/Ebit (%)	-14.7	840.3	-10.8	-7.9	-15.5	-15.9	-8.2

^aEstimated value

- the importance of the net financial position as a percentage of net assets (57.7 %) decreased compared to 2011 (78.4 %); in 2012 it increased (83.4 %) compared to 2011 before falling in 2013 (76.7 %); there was a lower use of borrowing compared to the period 2008–2010 when the importance of the net financial position was about 80 %;
- the importance of the net financial position as a percentage of total revenue decreased compared to 2011 and financial debts represent 5.6 % of the total revenue of the sector (6.5 % in 2011, 7.6 % in 2012 and 7.0 % in 2013) and 261.4 % of total cash flow (265.8 % in 2011, 390.5 % in 2012, 441.9 % in 2013);
- net financial position decreased its importance as a percentage of the value of Ebitda, with a lower value in 2014 (168 %) than previous years;
- financial charges represented 8.2 % of Ebit as opposed to 7.9 % in 2011 (Table 6.27).

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Chapter 7

The New Institutional Approach to Analyze the Italian Temporary Work Agencies' Field

Abstract This article analyses the process of evolution of an “organizational field”: from its emergence to nowadays. By an in-depth longitudinal analysis from 1986 to 2011 we study the emergence and evolution of the Italian Temporary Work Agencies field (TWA), analyzing the interaction between players in the field and the influence of the regulatory framework on the actors' behavior. In particular, the article analyses the role of actors within the field and the institutional logics that characterize it. Our study contributes to the institutional logic perspective fitting into the discussion on the coexistence of competing logics in an organizational field. The peculiar aspect is that the regulatory frame strongly influences the strategic and organizational behavior of the actors within the Italian TWA's field. Therefore, the actors face an institutional complexity to which they try to answer with a series of individual and collective actions aimed at influencing the same logics through a mutual conditioning that may be more or less direct.

Keywords Temporary work agencies • Institutional logics • Organizational field • New institutional approach • Institutional complexity

7.1 Introduction¹

In the previous chapters many studies and researches dealing with the development of temporary work agency work and employment agencies have been analyzed. In the light of different theoretical approaches many factors affecting the dynamics of the field have emerged. To understand the mechanisms that have influenced the spread of temporary work, it could be interesting to adopt a holistic approach that takes account of the importance of the different perspectives (Berni et al. 2012).

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Therefore, the present study uses a *new-institutional—structural* approach (Meyer and Rowan 1977; DiMaggio and Powell 1983, 1991; Scott 1995; Barley and Tolbert 1997; Oliver 1991): like user firms, temporary work agencies are actors that operate in, and are conditioned by, a social and cultural context (theory of embeddedness) (Scott and Meyer 1983; Granovetter 1985). However, this context is the result of interactions between individual actors (Barley and Tolbert 1997; Giddens 1984) so that “mutual” conditioning of the context and the actors ensues. At the heart of this approach lies the concept of the *organizational field*: a cluster of “organizations (institutional players) that, in the aggregate, constitute a recognized areas of organized life” (DiMaggio and Powell 1983). The organizational field broadens the classic view of the industrial sector and sheds light on the important role played by many actors who influence, and are influenced by, the institutional dynamics of the field itself. Besides rival firms and suppliers, the organizational field of agencies therefore includes a series of institutions² such as the state, regulatory and supervisory organizations or agencies, collective players such as trade and professional organizations, consumer associations, trade unions and business associations. In general, the field is “inhabited” institutionally by all the players, organizations and institutions that, through their actions, values and expectations, influence the behavior of all the players in the field. The approach focuses on the mutual influence between organizations in their field (DiMaggio 1991) and a series of institutional players, such as the state, government agencies, trade unions and business associations which, despite being included in the classic concept of the industrial sector, influence or regulate the organizations in the field (DiMaggio 1991).

According to new-institutional theory, the actors’ actions are heavily conditioned by the set of values and convictions embedded in this area of institutional life; the core values and the features of the field are also conveyed and consolidated by the shared terminology of the actors of the field, the symbols, beliefs, myths and recurring ceremonies (Meyer and Rowan 1977). As well as a series of “normative” and “cognitive” aspects (the core values of the players, the shared terminology, cultural aspects), another aspect that influences the structure of organizations operating in the field can be found in the “regulative pillar” (Scott 1995). This term refers to the monitoring, rule setting and sanctioning activities that are activated if there is a failure to conform to the rules and regulations of a given field. In the organizational field of temporary work agencies, this aspect of institutional analysis is the most influential one on the strategic and competitive dynamics of the agencies (Consiglio and Moschera 2001a, b, 2005, 2010). The “regulative” dimension is presented in this study with an analysis of the regulations that currently govern the conduct of agencies and temporary work. On the one hand, the regulation can restrict the sphere of action of private agencies by preventing private operators from providing certain services (for example, staff leasing is not permitted in some

²Institutions also consist of “cognitive, normative and regulative structures that provide stability and meaning to social behavior. Institutions are transported by various carriers—cultures, structures and routines—and they operate at multiple levels of jurisdiction” (Scott 1995, Italian translation 1998, op. cit. p. 55).

European countries) while, on the other hand, they can condition operators' options for diversifying (for example, by requiring a unique business purpose). The importance of the regulative pillar is further demonstrated by the fact that the organizational field of Italian temporary work agencies (formerly known as temporary work agencies) originated and developed as a result of a legislative measure (law no. 196/1997, known as the "Treu law"); a more recent piece of legislation (Decree 276/2003) also introduced a significant change to the structure of the field by opening it up to new players and markets/services. It is therefore worth briefly reviewing the process that led to the current structure of the temporary work agency sector. Various episodes and phases in the structuring process can be identified: the first attempts to introduce temporary work agencies into Italian law, the creation of the organizational field of temporary work agencies and the current situation marked by modifications to the regulations and a broadening of the field.

Institutions now pervade the economic life of industrialized and developing countries with increased state intervention in western economies and even in more *laissez faire* economies, more closely regulated markets, the tightening of controls over financial markets and the increased presence of authorities and watchdog organizations. Against this background, research based on a neo-institutional approach has increased, fuelling a debate at various levels of analysis, from classic studies of companies to micro-analytical studies that analyse the behavior of individual organizations and players/institutional entrepreneurs. Each level of analysis can be interpreted in the light of different institutional "frameworks" which influence the behavior of individual actors and encourage changes in the organizations operating in the field and individual managerial actions. However, organizational fields are also conditioned by the behavior of the actors and the institutional change of the organizations in the field is stimulated by a series of institutional events and pressures which alter the institutional framework and trigger change. The reference to institutional framework can be operationalized using the concept of institutional logics. This concept has always been an intrinsic part of new-institutional studies and has gained ground in recent years with an upsurge in studies and research projects that have focused on institutional logics in their analysis. Institutional logics are a distinctive feature of the context and condition the behavior of economic actors, and social players in general, at different levels of analysis: individual organizations, markets, inter-organizational networks, regional communities, industries and organizational fields (Thornton and Ocasio 2008). The value system, beliefs, institutions (the family, the state, religious institutions, businesses etc.), the political system, norms and *taken-for-granted* rules animate and bolster institutional arenas at different levels, at the level of social order (see, for example, Friedland and Alford 1991), individual industries (Thornton and Ocasio 1999) and the organizational field (Reay and Hinings 2005). The institutional logics perspective can heal the rift (Thornton and Ocasio 2008) between the original studies of the approach focusing on the macro- and structural level (Meyer and Rowan 1977; DiMaggio and Powell 1983, 1991) and the micro-level (Zucker 1977). Multiple layers of *embeddedness* can be identified between higher level logics which condition, and are conditioned by, lower level logics "grafted" onto them.

The existence of a dominant institutional logic and coercive, normative or mimetic pressures may drive organizations to a marked degree of isomorphism (Reay and Hinings 2005). However, it is possible to observe a lack of a dominant institutional logic within different levels of analysis and within the same level, or a lack of consistency between the dominant logic and institutional pressures. The coexistence of rival logics that compete for success often complicates the analysis of their impact on institutional change, behavior and the form of organizations (Reay and Hinings 2005).

This work contributes to the institutional logic perspective fitting into the discussion on the coexistence of competing logics in an organizational field. The peculiar aspect is that the regulatory frame strongly influences the strategic and organizational behavior of the actors within the Italian TWA field. This chapter analyses the process of evolution of an “organizational field”: from its emergence to nowadays. By an in-depth longitudinal analysis³ from 1986 to 2009 we study the emergence and evolution of the Italian Temporary Work Agencies field (TWA), analyzing the interaction between players in the field and the influence of the regulatory framework on the actors’ behavior.

Although still in its fledgling phase, the organizational field of temporary work agencies has undergone profound changes in the underlying logic that originally animated it and continue to do so, partly reflected by the new regulations introduced to the field. The labor market in Italy, which represents the broader background of the temporary work agency field, has experienced changes in the institutional logics which have increasingly moved towards a more free market approach.

Within this context, this study explores the relationships between institutional logics and organizational forms (and behaviors or managerial practices) of the organizations in the field, in order to test two research hypotheses: (1) *the presence of a single institutional logic leads organizations to have similar organizational forms and to adopt analogous managerial practices (isomorphism)*; (2) *the presence of two rival institutional logics leads to differentiation in the forms and practices of organizations in a field (allomorphism)*. According to the underlying assumptions, these relationships are mediated by the role played by these logics in ensuring that the field is heavily institutionalized. The presence of a single, clear dominant logic, which is perceived in the same way by the players in the field, facilitates and sets in motion a series of institutional pressures that lead organizations to adopt isomorphic behavior. When two fiercely competing logics coexist without clear dominance, this leads to inconsistency in the institutional elements capable of uniformly conditioning organizational behavior. When there are two rival logics, it seems as though the players in the field are unable to perceive which organizational form and managerial practices are most legitimate and should therefore be followed.

³For details see Introduction and Research method section.

7.2 The Institutional Logics to Study the Evolution of the TWAs' Field

The institutional logics perspective developed in the wake of classic neo-institutional studies (Meyer and Rowan 1977; DiMaggio and Powell 1983), focusing on the way institutions influence the behavior of individual and collective players.

The concept of institutional logic in organizational studies is useful for analysing the behavior of individuals and organizations within a broader system of values and beliefs (Thornton and Ocasio 1999; Lounsbury 2007). Institutional logics constitute the basic principle of society that guide social action and represent frameworks that provide the key players with (frequently implicit) values and assumptions for interpreting organizational reality (Thornton 2004). According to this perspective, organizational forms, behaviors and managerial practices are the manifestations of institutional logics and are legitimated by them.

The logics are defined as “*the socially constructed historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space and provide meaning to their social reality*” (Thornton and Ocasio 1999: 804).

The term was coined by Friedland and Alford (1991) to describe the practices and values of institutions in modern western societies. According to the authors, these logics are important theoretical constructs that help to explain the relationships between the players in an organizational field by defining their behavior. They can be considered as a way of measuring the influence of institutions on the behavior of individuals and organizations, guiding their action and practices (Friedland and Alford 1991; Thornton 2004; Thornton and Ocasio 2008).

The interests, values and assumptions of individuals and organizations are embedded within the leading institutional logics. It can be argued that a situation of mutual conditioning exists: on the one hand, institutional logics influence the behavior of players and, on the other hand, they are influenced by the players themselves, both individual and collective (Seo and Creed 2002; Greenwood and Suddaby 2006).

Moreover, organizational fields are marked by specific logics which are part of a broader institutional and social order such as the market, the state, the family, religion, businesses, professions etc. (Thornton 2004). Each social order is marked by a specific logic linked to material and managerial practices (Friedland and Alford 1991; Reay et al. 2009) and the main institutions have a central logic that guides and restricts individual and collective behavior.

Together with empirical studies carried out by numerous scholars (Haveman and Rao 1997; Thornton and Ocasio 1999; Scott et al. 2000), Friedland and Alford (1991) have created a new approach to the study of organizations that focuses on the way different institutional logics affect individuals and organizations in various contexts such as markets, industries and organizational fields. Institutional logics have an impact on the behavior of players who, in turn, influence and can shape the

institutions themselves (Thornton 2004). Essentially, the concept of institutional logics is a useful way of linking institutions and organizational action and has the advantage of combining a more macro-processual approach (Meyer and Rowan 1977; DiMaggio and Powell 1983) with a micro-processual approach (Thornton and Ocasio 2008).

The institutional logics approach therefore provides theoretical assumptions and methods for analysing how (individual and collective) players are influenced by institutional orders. These interdependent orders are part of a broader system that contains multiple institutional logics (Moschera et al. 2011).

Some of them, such as family and religion, while not traditionally belonging to the economic sphere, can influence the production and consumption of goods and services, albeit indirectly. For example, the Catholic church has conditioned the promotion and distribution of contraceptives while Islam conditions the relationship between times devoted to prayer and working hours.

Similarly, the market, which is not normally associated with the cultural sphere, is influenced by social structures and the cultural values contained within them (Becker 1976; Thornton and Ocasio 2008).

It should be emphasized that players have the capacity to transform these logics which are malleable entities applied differentially across different contexts and situations (Thornton 2004). It is therefore interesting to understand the behavior of players and how organizations and individuals act—through power struggles and political and economic struggles—to respond to these influences (Thornton and Ocasio 2008).

The institutional logics approach implies a widespread capacity to generate theories and research at various levels of analysis. According to Friedland and Alford (1991) the approach begins from underlying higher level institutional logics with the aim of analysing the effects and their impact on individuals and organizations. However, as already mentioned, the sphere of action is so wide that institutional logics can be explored at many different levels of analysis: organizations, markets, industrial sectors, networks, communities and organizational fields (Thornton and Ocasio 2008). This multilevel perspective has therefore been emphasized both at a theoretical level and in empirical studies, attracting the interest of a growing number of scholars.

Many of these studies have examined the institutional logics at play within different social orders and, in particular, on their impact on lower levels of analysis (field-specific institutional logics), in terms of the creation of new organizations and/or new organizational fields or changes in existing organizational forms.

Despite not dealing specifically with the concept of institutional logics, Jackall (1988) focused on the institutionalisation, at an organizational level, of managerial careers and the way they create a specific management philosophy which influences actions and decisions within organizations. However, it should be emphasized that although the research concerns the institutionalisation of managerial practices at an organizational level, careers are influenced by the specific cultural forces of the social order (Thornton and Ocasio 2008; Thornton et al. 2012).

In terms of the institutional logics perspective, other studies have focused on field-level institutional logics. Although early studies focused on the concept of a single dominant logic guiding the behavior of actors in a field, more recent research has demonstrated that most fields involve multiple logics (D'Aunno et al. 1991; Thornton and Ocasio 1999; Hoffman 1999; Reay and Hinings 2005; Scott 2008). According to Scott "Multiple frameworks are available within developed societies, which are differentiated around numerous specialized arenas—political, economic, religious, kinship, and so on—and each of which is governed by a different logic" (Scott 2008: 186).

In the more recent literature on organizational studies, the relationship between multiple logics is presented according to different conceptualisations (Reay et al. 2009). In a first group of studies, several authors argue that there is always a dominant logic that guides players' behavior. Other scholars argue that different institutional logics coexist within the same organizational field, competing with each other and leading to change. The logics are presented as competing within a context in which secondary logics represent the driving force for change and are a useful way of explaining the transition from one logic to another (Thornton and Ocasio 1999; Scott et al. 2000; Lounsbury 2002; Thornton 2002). In a well-known example, Thornton (2002, 2004) analyses how a market logic replaces a craft logic within textbook publishing, leading inevitably to repositioning of managerial practices and organizational strategies. Through a longitudinal analysis of the textbook industry from 1958 to 1990, Thornton's study identifies two institutional logics: a craft logic and a market logic that correspond to different strategies and forms of the fledgling organizations in the field in question. The study shows how the United States publishing industry witnessed a change in the dominant logic: the author noticed an increase in the market variables compared to professional variables within the organizations. For example, the case study shows how the publishing industry changed from a model where professional skills played a central role and where publishing revolved around the relationship between the author and the publisher to a model where the managers of formal hierarchical structures paid careful attention to market variables. According to Thornton's theoretical model, an organization's structure and strategy are legitimated and competitive until they conform to institutional logics. However, when there is a conflict between the dominant institutional logic and the organization, the organization becomes less legitimated and competitive and more prone to pressures for organizational change. As a result of a change in the dominant institutional logics, organizations adopt different structures and shift their attention to alternative solutions which lead to transformations in the strategies and structures.

Prior to Thornton, other scholars had also emphasized the existence of competing logics within an organizational field. Reay and Hinings (2005) analyzed the institutional change in the healthcare field using the example of Canadian healthcare providers. Even earlier in 2000, Scott et al. had examined how the competition between the institutional logics of social order—in particular the professional logic and managerial market logic—was able to influence the transformation of the healthcare field; there was a transition from the dominance of the traditional

professional institutional logic to coexistence with the new managerial institutional logic. Using the same approach, Kitchener (2002) studied the effects of competition of professional and managerial institutional logics within the university teaching hospitals of the USA. The institutional environment is therefore much more fragmented and influenced by multiple logics that contradict each other (Friedland and Alford 1991). On the other hand, some studies of contradictory logics tend to emphasize the capacity of a dominant logic to bring uniformity to the organizations in an organizational field, thus reinforcing the concepts of institutionalisation and isomorphism which can be traced back to the earliest works in neo-institutional research.

A second group of studies explains the relationship between multiple logics as a transitional period in which competing logics coexist. According to some research, these logics compete for long periods until one logic emerges as the dominant one, leaving the others in the background and creating changes in the structures of the players and the power relations of the organizational field (Scott and Meyer 1983; Hoffman 1999; Hensman 2003; Purdy and Gray 2009). Other studies have played down the dichotomy and inevitable rivalry between institutional logics, arguing that that multiple logics can coexist within a field and each of them can influence a specific group of players or different types of organization (Orrù et al. 1991; Reay and Hinings 2005, 2009; Reay et al. 2009; Lounsbury 2007; Marquis and Lounsbury 2007; Greenwood et al. 2011).

These studies confirm that a secondary logic may have a weaker or more localized influence but also show that the practices of any field or industry can be shaped by different logics.

In conclusion, the studies and researches about the concept of institutional logics have shifted their focus to the influence that institutions and their associated logics can have on all organizations in any field, even though the kind and intensity of the influence may change according to the type of field being analyzed. It is argued that the influence of these institutions plays a crucial role in shaping and moulding the economic behavior of the players involved. In this way organizations in the field have to cope with institutional complexity (Greenwood et al. 2010).

The institutional logics perspective is an extremely rich and broad theme, especially with regard to the multiple levels of analysis and the competing logics in the various fields of application of the research carried out over the years.

The concept of events is highly relevant to the continuation of the work and is closely linked to the concept of institutional logics. Events lead to a critical analysis of institutional logics: they can destabilize practices and consolidated forms of behavior and help to “disturb” the consensus that has been legitimized in an organizational field, leading to the emergence of new practices, new activities and new players and introducing a new logic; more frequently, they enable a secondary logic, which had previously played a background role, to become dominant. From this perspective, it is interesting to understand how the players in a field interpret and respond to events and the associated logics.

Events can be defined as “a temporal and sequential unfolding of actions that dislocate, articulate and transform the interpretation and meaning of cultural symbols and social and economic structures” (Sewell 1996: 844).

In particular, several authors have identified and analyzed a series of critical events related to situations of such importance that they lead to change in the dominance between logics (Meyer et al. 1990; Nicolini et al. 2009). Greenwood et al. (2002) and Munir (2005) underline the importance of events as part of the process of change which only become important when players reveal them and make them known.

7.3 Logics, Events and Actors

Before examining the events surrounding the development of the sector, it is worth making some methodological observations about the classification of the events analyzed in the final part of this study (Consiglio et al. 2010, 2011). During the first study (2000), more than 40 interviews were carried out with experts, managers, lobbyists, trade unionists and members of professional associations. The information from the interviews was used to compile an initial list of events which, to varying degrees, conditioned the institutional life of the field and the individual agencies. A further parallel study (Consiglio et al. 2011) catalogued the events using a discriminant analysis of strong/weak and internal/external controls. Twenty questionnaires were sent out to experts and managers in the sector. Using a Likert scale associated with each event, it was possible to “objectivize” the significance of the qualitative data that emerged from the interviews carried out from 2000 to the present. An analysis was carried out of the number of times each event was mentioned in the *IlSole24ore* newspaper from 1986 to 2009. This analysis provided results that were completely consistent with the analysis of the questionnaires; the rare exceptions regarded events that were too field-specific to merit attention from a newspaper which, despite dealing with economic affairs, does not focus entirely on the labor market.

The events were therefore classified as weak or strong according to their capacity to encroach upon the dominant logic, to contradict the secondary competing logic and/or to trigger institutional change. A critical event may represent a “breaking point” which marks the transition from one logic to another or which is capable of causing radical institutional change, whether in the context of coexisting logics or a single dominant logic (*critical events*, Reay et al. 2009). It should be emphasized that even weak events can represent important episodes in the development of an organizational field.

The events were also classified according to their origin: events directly related to the institutional logic of the field (field specific events) and external events related to the background logic, in other words of a higher level institutional order.

The analysis carried out in the field of Italian temporary work agencies highlighted the importance of the events for understanding the development of the

organizational fields and the mutual conditioning between logics and action (Meyer et al. 1990; Greenwood et al. 2002; Nicolini et al. 2009). The analysis reveals the existence of a series of more minor events which nevertheless represent significant episodes in the development of the field and reflect the presence of an institutional logic during a specific period.

As already mentioned, the events were classified according to their importance (strong/weak) and to their origin (external or background events/field specific events). Using these dimensions, it is possible to classify the events that took place during the three phases analyzed in the study (Table 7.1).

The De Michelis bill was the first critical event that upset the balance, paving the way for a discussion about the possibility of introducing temporary work to Italy, previously regarded as a taboo subject. The strength of this event is also highlighted by the fact that De Michelis was not just an ordinary MP but the Labor Minister in the Craxi government. Although it represented further acknowledgement of the initial lobbying activities that were already underway in Italy, the Mazzocca decree received little attention from the media and the political scene and is rarely referred to, and treated as of little importance when mentioned in the interviews with experts in the field and lobbyists.

One of the critical events during the first phase was the establishment of the “Club di Milano”, an association made up of the six leading multinationals in the sector with the aim of coordinating institutional lobbying activities and promoting temporary work in Italy. These multinationals also acted individually, such as the takeover of an Italian staff recruitment company (Syntex) by Adia (now Adecco).⁴

During the first phase, the critical event was the Treu law of 1997 which formally represented the first step towards creating the organizational field and was the result of the actions carried out during the period under examination.

During the incubation phase in the establishment of the field, the creation of bilateral organizations (Formatemp and Ebitemp) can be considered the main critical field specific event. Indeed, Formatemp and Ebitemp represent important places for meeting, mediation and negotiations between the players in the field.

During the phase 1997–2003, numerous external events of minor importance reflected the social conflict that was such a distinctive feature of the struggle between the two institutional logics: in particular, it is worth underlining the battle to maintain article 18 of the Workers’ Statute and the murder of Professor Marco Biagi.⁵ Among the critical events that were external to the field, it is also worth mentioning the publication of the “Libro Bianco” on employment and decree 276/2003 which radically transformed the field, removing a series of restrictions

⁴With regard to the role and institutional action of multinationals in the employment agency sector, see also Koene and Ansari (2011).

⁵Although the murder of Professor Biagi by the Red Brigades was an extremely important event that shocked Italian political and social life, it did not have a direct impact on the organizational field of employment agencies in terms of the theoretical approach of this study, although it undoubtedly influenced future legislative decisions concerning the labour market. These decisions partly modified the general institutional logics of the labour market in Italy.

placed on agencies, such as the sole business purpose and turning the operators, defined as temporary work agencies, into multi-functional organizations.

During the development phase (2003–2009), a series of critical field specific events occurred: in particular, it is worth mentioning several welfare measures that were introduced directly by Ebitemp to support temporary workers. The measures were designed to reinforce the legitimisation of temporary work agencies and, at the same time, to create the conditions for a change in the 2010 budget. Another significant event was the creation of Assolavoro which brought together agencies into a single association (part of the Confindustria employers’ federation), a solution that strengthened their negotiating power.

The global economic crisis, one of the most critical external events, also influenced government policies, the behavior of clients of temporary work agencies and the agencies themselves.

The analysis of the phases leading to the creation of the field therefore reveals a series of events that stemmed directly from the actions of individual players in the field and collective players although there were external events that conditioned action and the dominant logics.

Many of the events originated both from the actions of individual players in the field or collective players, leading to indirect or direct lobbying. Many individual

Table 7.1 Summary of the events that occurred during the various phases *Incubation phase (1986–1997)*

External and background events	EU directive	Social pact Treu Law (Law 196/1997)
Field specific events	Adia takeover of Syntex “Mazzocca” decree	De Michelis bill Establishment of the “Club di Milano” Establishment of Assilt
	Weak events	Critical events
<i>Emergence phase (1997–2003)</i>		
External and background events	Berlusconi government article 18 debate murder of Professor Biagi	Libro Bianco 2002 pact (without CGIL) Biagi Law (Decree no. 276/2003 and Law 30/2003)
Field specific events	Establishment of Confinterim	Creation of Ebitemp Creation of Formatemp
	Weak events	Critical events
<i>Development phase (2003–2009)</i>		
External and background events	Prodi government second Berlusconi government	Economic crisis
Field specific events	Establishment of Ebiref Reintroduction of Staff leasing	Abolition of Staff Leasing Activities run by Ebitemp Establishment of Assolavoro
	Weak events	Critical events

Source Our elaboration

players that belonged to the field (management consultants, entrepreneurs, trade unionists etc.) carried out actions either directly (consultancy) or indirectly (seminars, lectures, meetings with ministers and government, discussions with trade unions) with the aim of influencing the regulations governing the field (decrees, laws, ministerial circulars, planning agreements and the collective national bargaining agreement). It is interesting to underline the role of the intense press campaign which, together with the organization of seminars and lectures and the diffusion of studies and research, supported the social legitimisation of temporary work (tempering its “demonisation”), encouraging politicians to introduce measures designed to facilitate its development.

In many cases, bilateral organizations replaced or supplemented the government’s welfare policies to protect temporary workers who did not receive adequate safeguards from the public welfare system. For example, Ebitemp introduced several measures to provide income support and facilitate access to loans.

Similarly, trade and professional associations, especially during the phase when there was just one association (Assolavoro), represented a place for meeting and mediation between the various “political” and strategic approaches of the agencies, each with their own different objectives, governance and distinctive features: large foreign multinationals, a large Italian multinational led by a manager-entrepreneur, small and medium-sized Italian agencies, small and very small agencies.

7.4 Emergence and Evolution of a New Organizational Field: Competing Institutional Logics

The analysis shows how, during the last twenty five years, the Italian labor market has been marked by two coexisting and competing logics: the regulation logic, inspired by the welfare state and the de-regulation logic, linked to free-market *laissez faire* models.

The regulation logic emerged in Italy as a result of the struggle of workers and trade union movements which culminated in the Workers’ Charter (*Statuto dei Lavoratori*) of 1970 and manifested itself in a series of laws and regulations designed to safeguard workers, ensure stability in the employment relationship and protect the role of trade unions. The regulation logic focuses on safeguarding workers’ civil rights, extending the scope of national collective bargaining agreements and attempting to restrict the discretionary power of management with regard to work. According to this logic, the permanent full-time contract was the standard form of employment which was both a point of reference and needed to be safeguarded.

The de-regulation logic originated in Italy in the early 1990s when businesses’ need for flexibility had become increasingly pressing due to the gradual globalisation of markets. This second institutional logic is based on a more *laissez faire* philosophy that seeks to establish a more flexible labor market with less rigid

barriers between insiders and outsiders. Supporters of the de-regulation logic tried to legitimate the need for companies to have more flexible forms of work which had previously been associated with job insecurity and rejected mainly by trade unions and left wing parties.

With the de-regulation logic, the emphasis shifted from the protection of the permanent contract to the worker's employability.

Until the late 1980s the Italian labor market was dominated by the regulation logic although, during the incubation and development phases of the temporary work agency field, the regulation logic gradually made way for the deregulation logic.

After the Treu law (1997) was passed, the regulation logic continued to dominate the field although it was scaled down. The decision not to abolish the ban on intermediation, together with the obligatory restrictive objects clause, the authorisation process and the numerous restrictions on the operations of agencies, all reflect the intention to avoid lowering barriers to entry to a sector which, to some extent, witnessed the growth of the deregulation logic. It is no coincidence that the Treu law was passed almost unanimously by the political parties, management and trade unions. Moreover, compared to laws in other member states of the European Union (Consiglio and Moschera 2001a, b; 2002), Italian legislation appears to be one of the most tightly regulated systems that protects individual workers.

The need for greater deregulation of the labor market steadily increased during this period although this emerging trend was opposed by the main trade unions and several centre-left parties. During this phase, two alternative models became juxtaposed: the first was inspired by a *laissez faire* approach to the labor market and reflected businesses' needs for flexibility by seeking to reduce the restrictions on temporary work; the second model was inspired by the need to regulate the labor market and safeguard workers and was therefore concerned with maintaining tight restrictions both on the application of temporary work and on the selection criteria of temporary work agencies.

The 1997 Treu law introduced temporary work on the basis of a regulation logic, leading to strong coercive institutional pressure and encouraging widespread isomorphism in the field: organizations adopted similar forms and managerial practices. In the dominant organizational structure, chosen by the main Italian operators, activities were unified by using two alternative criteria for grouping them together: a functional approach and an approach based on the geographic features of the target market. All work agencies used the functional criterion for grouping together their main strategic and back office activities. In terms of the choices related to organizational form, the dominant form was based on two organizational tiers, the head office and a network of branch offices. Agencies were therefore fairly centralized, mitigated by delegatory processes related to the management of the production and provision of the service.

In response to the principles set out in the legislation, all agencies had their head office in Italy and had the same title (temporary work agency or *società di fornitura di lavoro temporaneo*) in the objects clause. All the agencies were joint stock companies with a share capital of not less than a billion lire (516,460 euro) and a

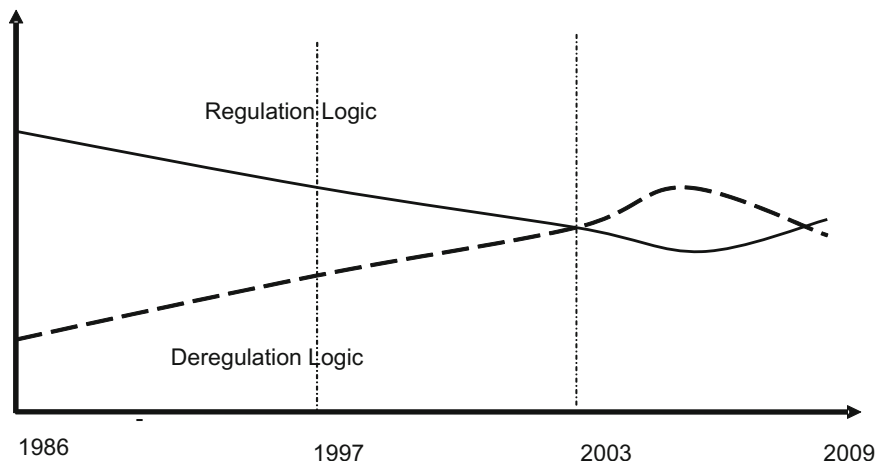


Fig. 7.1 Competing logics. *Source* our elaboration

security deposit of 700 million lire (361,520 euro). Although the latter features did not directly concern organizational structure, they conditioned and standardized many organizational practices inspired by transparency, taxation, book-keeping and administration; they created a further barrier to the entry of new operators and helped to give a precise definition to the boundaries of the field itself, also in terms of the legal perspective (Consiglio and Moschera 2001a, b).

During the emergent phase of the field (1997–2003) the dominant institutional logic was severely weakened (Fig. 7.1).

During this period many endogenous or exogenous events affected, or were caused directly by, actors in this field, fuelling the contradictory logics: the new Berlusconi government of 2001, the trade union pact of 2002 (without the CGIL union), the publication of the “Libro Bianco” and, above all, the establishment and the activities of Ebitemp and Formatemp whose policies designed to support workers substituted the public welfare system.

The relaxation of the regulations was formalized by the Biagi law. As from 2003, the scenario began to change. Organizational behavior started to become differentiated and there was greater allomorphism in organizational forms and managerial practices, despite the existence of strong coercive pressure (the Biagi law). Given the increasing scarcity of resources and stiffer competition, agencies started to use different forms of organization.

Agencies used different strategic and organizational approaches that departed from the dominant model. After a phase of rapid development, agencies began to diversify and differentiate, using integration processes that could respond to the needs of specific sectors, creating special departments and managers (a multi-strategy approach) or a matrix organization (Consiglio and Moschera 2005, 2008).

During the development phase (2003–2009) the two institutional logics coexisted. Apart from a brief interruption in 2006, due to the new centre-left government, the Biagi law did not undergo significant alterations: the only measure of any importance, at least for its symbolic value, was the abolition of staff leasing which had a limited impact on the field: in the four years prior to its abolition, temporary work agencies had not even considered using staff leasing (in the rare exceptions, it accounted for 0.1 % of turnover at most).

The event that upset the balance was the economic crisis. In the wake of the crisis, the *laissez faire* logic that had underpinned the economy changed; measures based on heavy public spending were adopted to protect temporary work and to try to reinforce the welfare state, mainly using income support tools. The analysis of the origins and development of the temporary work field shows that the transition from one phase to another was marked by breaking points that represented a radical change in the equilibrium between the dominant institutional logics. In particular, there were three particularly significant breaking points: the Treu law, the Biagi law and the crisis. The first breaking point marked the first steps towards the establishment of a field within an institutional context that was still considerably influenced by a regulation logic. The second turning point—the Biagi law—represented a sort of equilibrium and a period of coexistence between the two different logics. Lastly, the crisis paved the way for new scenarios which are hard to analyse in the short term but have had an enormous impact on the players in the field.

7.5 Final Considerations

The emergence and development of the organizational field and the behavior of the players within it have been influenced, during the various phases, by different institutional logics (Hoffman 1999; Scott et al. 2000; Seo and Creed 2002; Thornton 2004; Greenwood and Suddaby 2006; Thornton and Ocasio 2008; Thornton et al. 2012). The institutional logics and the institutional order that pervades the various aspects of Italian society (cultural, political, social and economic life) at a higher level play a key role, affecting the Italian economy and, more specifically, the Italian labor market. Within this context, some of the actions manifested themselves in critical or weak events that demonstrate convergence or divergence from the logic that was dominant at any given moment. In particular, this study analyses institutional logics which, on the one hand, constitute the background to individual and collective actions and, on the other hand, represent their effect.

Based on the analysis of the sequence of weak and critical events and their impact on institutional logics (sometimes consistent with the dominant logic, at other times supporting a rival logic), several observations can be made about the capacity of single logics and events to create and reinforce the template of the field and the institutional pressures.

Firstly, it should be emphasized that, compared to other sectors, the work agency field in Italy is heavily conditioned by the regulative pillar in terms of the strategic

and organizational behavior of the key players. The analysis of the consistency between the logics clearly shows that these coercive pressures can have a powerful influence on the behavior and practice of the players in the field. Faced by this institutional complexity, the players seek to respond with a series of individual and collective actions designed to influence the logics themselves through fairly direct mutual conditioning.

During the early phase, marked by the Treu law, there was a strong coercive pressure that led to isomorphism of the organizational forms of the agencies.

The Treu law introduced a series of restrictions that defined the basic features of temporary work organizations in Italy. Following the reform that led to the introduction of temporary work into Italian labor law, almost all the agencies adopted the dominant form of organization in response to the institutional pressures stemming from Italian legislation, existing regulations and the sanctioning and monitoring system. In line with the findings of empirical research, it is necessary to emphasize the extent to which agencies aspired towards the dominant organizational structure (Consiglio and Moschera 2001a, b; 2005), perceived as legitimate, leading to widespread isomorphism.

This start-up period witnessed strategic and organizational forms of behavior that reflect institutional pressures but were also heavily conditioned by the coercive pressures of the regulatory framework. From this perspective, the first research proposition is confirmed by the widespread isomorphism in the organizational field, given the dominant competing logic and the strong institutional pressures.

During the period 1997–2003, which falls between the two breaking points, this isomorphism largely remained intact. Despite the growing number of actions and events linked to the new rival deregulation logic, regulation remained the dominant logic. The isomorphism continued, partly due to inertia, accentuated by the positive performance of temporary work agencies during this period (Consiglio and Moschera 2002).

During the period 2003–2009, despite strong coercive pressure and the start of a new phase during which the logic of deregulation seemed to prevail over regulation, a restrained form of allomorphism emerged in the organizational field. In the absence of an organizational form perceived to be legitimated by the institutional context, agencies pursued different approaches, both in terms of adopting varieties of organizational forms and in the choice of managerial practices. This is consistent with the second research proposition which predicts the absence of similar organizational forms in periods with a marked juxtaposition between several institutional logics where no one logic prevails. The scientific interest is underlined by the fact that while both logics coexisted and were adopted in the field due partly to coercive pressure (the Treu law and the Biagi law), only in the first case were isomorphic processes found—when there was a high degree of consistency between a widespread institutionalized logic and coercive pressure.

The unusual aspect lies in the fact that, despite similarly strong coercive pressure (the 1997 Treu law and the 2003 Biagi law), only in the first case did isomorphic processes ensue: this apparent “contradiction” can be interpreted by the degree of consistency between institutional pressure and the underlying logic. In the first case,

the Treu law faithfully reflects the logic of a highly regulated and protected labor market that pervaded both the temporary work agency field and the Italian labor market as a whole. By contrast, in the second case, the Biagi law affected a field without a clearly defined dominant logic, leaving the players free to make their own interpretations of institutional pressures. In the latter case, it is hard to identify which organizational structure was considered by agencies to be the most “legitimate” and feasible, leading to differentiated behavior and practices.

Recent events have made the interpretative frame work even more complex. The latest critical event—the economic and social crisis—has had a crucial impact on the logics and the behavior of the players involved in the field. Indeed, the crisis has interrupted the reinforcement of the deregulation logic, causing increased government intervention in support of the economy and also the temporary work sector.

The first signs that emerged from the latest study, carried out in 2009, suggest a return to isomorphic managerial practices as a result of the handling of the crisis. During this period, agency management adopted identical or similar practices to pare down the structures although virtually all of them resorted to the same job security agreements for permanent employees (and not for temporary staff).

How should this empirical evidence be interpreted given that it would partly alter the results of the research? On the one hand, during periods of economic crisis and a lack of extra resources, organizations may pursue an approach based on efficiency, ignoring the search for legitimation within the institutional environment: the “internal” logics of the pursuit of efficiency could be argued to have gained the upper hand over the institutional logics of the field. On the other hand, a longer period may be necessary for the underlying institutional logic, inspired by de-regulation, to spread to various organizational fields and this may have led organizations to adopt a new kind of isomorphism.

Alternatively, the unfavourable situation caused by the crisis may have muddied the waters and “clouded” a clear interpretation of the institutional framework by the institutional players and organizations in the field.

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