

Staffing Industry Bulletin

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EU Grants Equal Pay To Temp Workers Despite Opposition

On November 21, Members of the European Parliament approved the Temporary Workers Directive, which would give temps the same pay and benefits as full-time staff. The directive will go before the EU Council of Ministers next month and is expected to be passed in 2004 and become UK law in 2006.

The Confederation of British Industry is critical of the measure, arguing that it will cost billions of Euros, remove incentives to employ temps, damage the economy, and result in a loss of close to 160,000 jobs. Britain will seek allies in the EU Council of Ministers to help overturn the vote.

In response to industry opposition, lawmakers voted to allow the UK and Ireland at least five years for compliance. Non-discrimination or collective agreements already exist in the other 13 EU countries. Opposition to the bill has been taken seriously because sixty percent of the EU's temporary agency workers are found in the UK, and the UK and Ireland recruitment companies together account for over 27% of the 59 billion euro European temporary employment industry.

A Parliament spokesperson emphasized that the goal of the policy is to help good agency employers to flourish and remain flexible while at the same time ensuring protection for agency workers. The temp industry accounts for 1.4% of total EU employment. (*Sources: "EU Lawmakers Delay Temp Work Rules for UK, Ireland", by Adrian Cox, Bloomberg News 11-21-02; "Job Cuts Fear As Temps Win Rights" by Geoff Maynard, The Express, 11-22-02; "MEPs Back Protection for Temps", European Report 11-23-02; "New Rights for Temp Workers" by Geoff Meade in Press Association, 11-21-02" ❖*

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Third Quarter Results Mixed

According to Staffing Industry Analysts, some public companies showed a positive bottom line in the third quarter, though revenue growth was mostly in the single digits and white collar businesses failed to improve. Health care staffing, driven by strong demand for temporary nurses, showed increased income and earnings in the third quarter. Of the 50 companies tracked by SI Report, 16 reported higher revenues in the third quarter than in the second quarter. Of the 32 with profitable quarters, 14 had revenue increases. Seven companies had profitable third quarters compared to losses in the same period last year. The pace of improvement continues to be very slow. The number of temp jobs shrank 1.9% between September and October 2002 and 1.2% from year-ago levels. Staffing Industry Analysts predict that a sustained recovery for staffing will not happen until at least the second quarter of 2003 (Source: *Staffing Industry Report, Vol. XIII No. 21, November 12 2002*) ❖

Corporate Scandals Create Opportunities for Staffing

Recruitment for corporate board of director members is a thriving niche of the staffing sector, as companies work to follow the newly created accounting oversight and audit regulations that resulted from recent corporate scandals. Companies are looking to upgrade and strengthen their boards with members who have accounting experience and who are financially savvy. Also, companies are seeking board member replacements as some directors vacate their positions after deciding that the liability risks of serving on the board are not worth the rewards, or because they don't want the increased workload that the regulations will create. Staffing companies are tapping into this newly-expanded market (Source: *Staffing Industry Report, Vol. XIII No. 21, November 12 2002*) ❖

Staffing Giants Shift Focus To Small Businesses

In response to declining revenues, large staffing companies like Manpower, Kelly Services, and Adecco are shifting their focus from large corporate clients to small and medium-sized businesses. Adecco is adding close to 200 branches in the U.S. this year to attract small business clients, and Manpower is targeting small businesses by giving users of the QuickBooks software program access to its staffing services. In some communities, large staffing companies are attending small-business functions like Chamber of Commerce luncheons. According to Access Markets International Partners, a New York City research firm, small businesses spend \$25 billion a year on flexible workers, and this figure is growing by 13% annually. (Source: *"The Titans of Temp Reach Out", by Stephanie N. Mehta in Fortune Small Business, November 2002*) ❖

Involuntary Part-Time Work On The Rise

The number of California residents classified as "involuntary" part-timers (part-time workers seeking but unable to find full-time work) has increased 30% to 648,000 workers (nearly 4% of those who are employed) since the beginning of 2001. The national increase is steeper, up one third over the same period to 4.2 million workers. These statistics reveal that the economy remains sluggish despite falling unemployment rates, which analysts attribute to the rise in discouraged job seekers, who are no longer counted in the jobless tally once they stop looking for work. (Source: *"Temping, But Not By Choice", by Marla Dickerson in Los Angeles Times, November 1 2002*) ❖

Judge Holds Staffing Agency Clients Liable For Unpaid Workers' Comp

Staffing Company RemedyTemp Inc. plans to appeal a recent unfavorable decision by a California Workers' Compensation Administrative Law Judge. The judge found in favor of the California Insurance Guarantee Association (CIGA), which maintained that RemedyTemp's clients and their insurers were responsible for the \$25 million in claims that were left uncovered when RemedyTemp's insurance carrier went out of business in 2001. RemedyTemp Inc. argues that it is common and legal in California for clients to transfer responsibility for workers' compensation to CIGA. Staffing industry representatives assert that if the decision stands, companies may stop hiring temps for fear that they will be liable for the temps' workers' compensation if a staffing agency's insurer goes out of business. Staffing industry sources also fear that insurance providers to companies who hire temporary workers may be forced to pay those workers' claims if the temp agency's insurer goes out of business. (Source: *Staffing Industry Report*, Vol. XIII No. 21, November 12 2002) ❖

Workers' Comp Rate Hikes Expected

Even with an average 13.5% increase in premiums in 2001, workers compensation insurers will likely seek further rate hikes in the coming months in the hopes of becoming profitable. Such hikes will increase the cost of workers' compensation, already the largest expense for many staffing companies. Though many analysts have blamed the terrorist attacks for increases in workers' compensation costs, the layoffs of recent years were triggering workers' comp claims even before September 11. The repeal of workers' comp reform laws, an increase in benefit levels, and rising medical costs have all contributed to the increased cost of claims. According to Marsh Inc.'s 2002 Insurance Market Review and Forecast, workers' compensation insurers are paying out \$1.29 in claims cost for every \$1 they receive in premiums. If workers' compensation costs continue to rise, some staffing companies could be forced to reduce their scale, shift to different industries, or close down altogether. (Source: "Further Rate Hikes Ahead for Workers' Comp Market", by Joanne Wojcik in *Business Insurance*, November 11 2002) ❖

