

How can temporary work agencies provide more training?

Staffing agencies could play a more prominent role in the provision of training for the low qualified and previously unemployed

Keywords: temporary agency work, training, unemployment, job tenure, labor market institutions

ELEVATOR PITCH

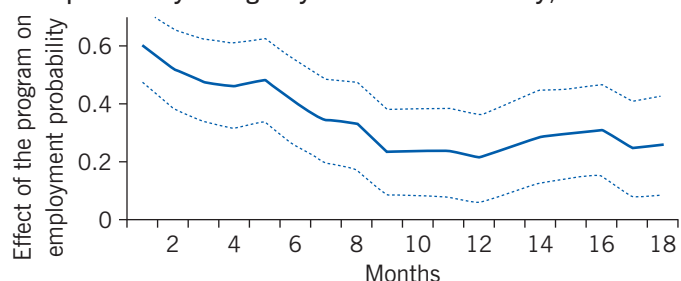
Temporary work agencies use training as a recruitment and retention argument when qualified labor is scarce. However, short job assignments present a major obstacle for employers and employees to increase investment in training. As temporary agency workers are mainly low-qualified and often previously unemployed, paid work in combination with training should lead to more sustainable employment. Adjustments in labor market institutions could make the provision of training more attractive for both staffing agencies and temporary agency workers.

KEY FINDINGS

Pros

- + Scarcity of qualified workers and continuous pressure on updating skills drive demand for training.
- + Training serves as a self-selection and screening device as well as a recruitment and retention argument for staffing agencies.
- + Training allows agency workers to acquire competencies needed by user companies.
- + Temporary agency work allows workers to combine paid work with complementary off-the-job training.
- + Training for previously unemployed and low-qualified agency workers has positive external effects.

Training plus temporary agency work increase the employment probability for agency workers in Germany, 2011



Note: Dotted lines indicate 95% confidence interval.

Source: [1].

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Cons

- Return on investment in human capital cannot be captured by staffing agencies due to short job assignments.
- Agency workers may quit after receiving training in favor of better paid jobs in a user company.
- Training programs carry high administrative costs due to the large number of players involved.
- Agency workers may be reluctant to invest in training due to short job assignments and insecurity regarding future labor market outcomes.
- There is no guarantee that agency workers will receive higher pay after training, and agency training is no substitute for vocational or college education.

AUTHOR'S MAIN MESSAGE

A scarcity of qualified workers with specific competencies drives demand for worker training. Staffing agencies contribute by allowing the previously unemployed to combine paid work with training. This training is predominantly offered in the form of short-term measures and e-learning to enable job assignments for low-qualified agency workers. The provision of training is associated with positive external effects. Therefore, governments should update labor market institutions in order to internalize these external effects. This will incentivize employers and employees to invest more in training.