

White Paper

# Temporary Work Between Labor Market Integration and the Skills Shortage



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## Introduction

On the labor market, there are no second-place finishes, either for companies or for job-seekers. From the point of view of business, recruiting of the best employees is critical for being able to stay ahead of the competition. From the employees' point of view, optimal working conditions are their primary goal. The workplace has a deeper meaning for candidates: it serves to secure their existence, enable active participation in economic activity, and it can be a path to self-fulfillment. Staffing service providers have the privilege of being able to assist companies and candidates in their search process.

*With the flexible mode of work “temporary employment” the industry succeeded in bringing together approximately 400,000 employers and employees, in 2018.*

With a spectrum of professions from unskilled workers to highly-qualified specialized employees, the industry moves like hardly any other between the extremes labor market integration and skills shortage, two megathemes that concern the economy, politics, and society in equal parts. In two extensive surveys of temporary employees and companies, swissstaffing, the Swiss Association of Recruitment Agencies, and the market and social research institute gfs-zürich are taking a closer look at the “hinge” function of the temporary industry on the Swiss labor market.

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## Staffing service providers take a stand

swissstaffing advocates for the equal footing of different types of employment and the social acceptance of flexible work.

### **The orderly design of tomorrow's working world requires:**

- Social security systems that are compatible with the different types of employment and whose benefits can be taken along to the next job
- A clear allocation of new service relationships to existing forms of employment such as self-employment, temporary work, and contracts for employment and contractual relations
- Continuous encouragement of industryspanning further training across employees' entire professional life

### **Exploitation of the integration power of flexible forms of employment requires:**

- A culture that permits “zig-zag” and “rainbow” careers
- Low entry barriers into the labor market, which enable dynamic employment development
- A slim, digital bureaucracy with respect to employment relations

### **Three measures for the immediate increase of the integration potential of the staffing industry:**

- A simplified, digital signature for temporary employment contracts
- An automated, digital dossier exchange among private staffing companies and regional unemployment offices (RAV)
- Custom-tailored information of job seekers about temporary work

### **Two risks for the integration power of the staffing industry:**

- The introduction of quotas that restrict the number of temporary employees
- The increasing of termination protection

## Bridge to the labor market

A critical transition phase in employees' employment biography begins after the loss of a job. "A lot is riding on the game," says Leif Agnéus, General Manager Manpower Schweiz. "The longer unemployment lasts, the more professional practice is lost; required trainings are missed; self-confidence drops and the stigma of long-term unemployment looms." No wonder that 70% of temporary employees say that a long unemployment phase hurts in their professions. Approximately 240,000 people – 57% of temporary employees – were in such a difficult situation in 2018 and sought help from a staffing service provider. They selected temporary work because they did not find another job.

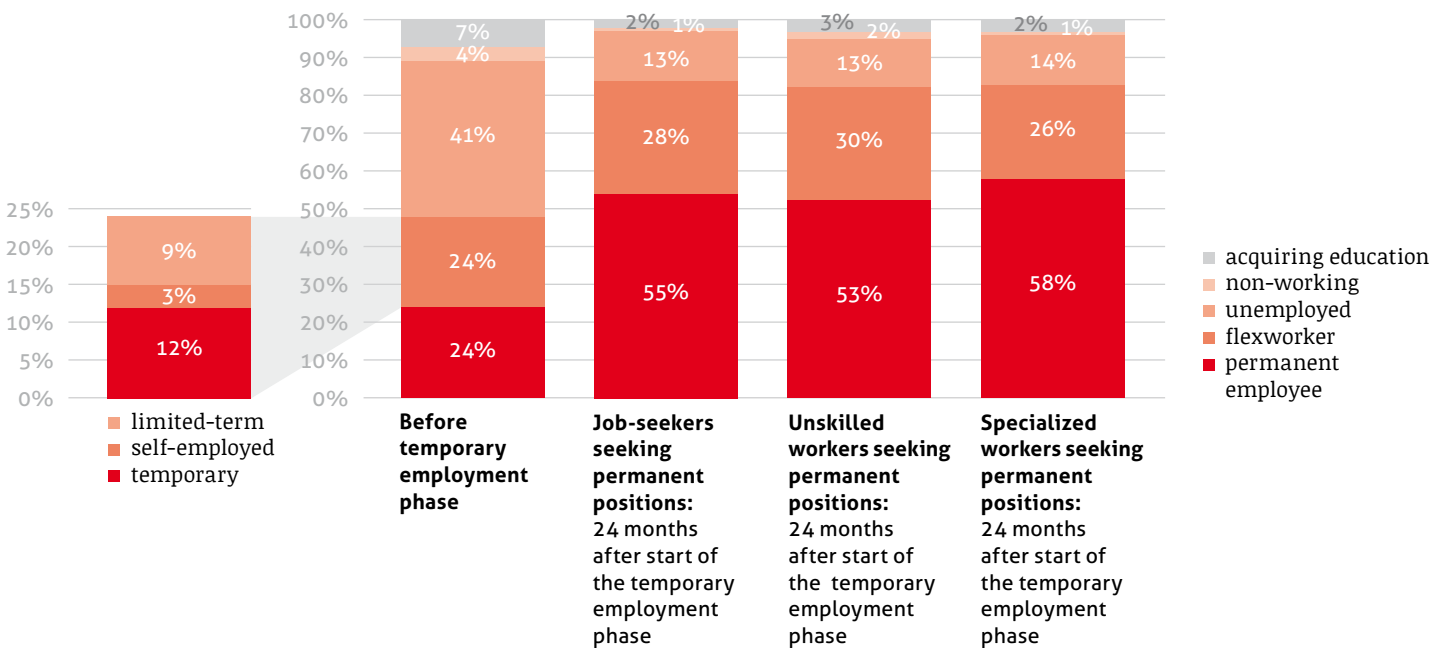
A more precise examination shows: Nearly three-quarters of those surveyed were unemployed, had been laid off or did not receive an extension of their limited-time employment contract. Personal exchange with the staffing office and the start of the first deployment is an important success experience in a difficult time. A 40-year-old woman employed as an industrial worker sums it up this way:

*"It was important to me that I not be treated like a number. Becoming a valued employee of a staffing office motivates enormously."*

### Survey of temporary employees

In November and December 2018, swisstaffing commissioned the gfs-zürich to survey 4153 temporary employees whose primary residence is in Switzerland and who worked temporarily in 2017. Participants were employees of large and small staffing companies, including the five largest swisstaffing members. In total, approximately 57,000 employees received letters. The return quota for online surveys was 7%. The survey was conducted in German, English, French, Italian, Spanish, and Portuguese.

Figure 1: Employment situation of the temporary employee



**Note:** The figure displays the employment situation of temporary employees before their last temporary employment phase in 2017 and 24 months after the start. The values 24 months after the start of the temporary phase are average partial effects based on a multinomial logit model. The flexworker category includes self-employed, temporary employees, and limited-term positions. The education category includes trainees, students, and people receiving further training. "Non-working" includes housewives and husbands and retirees.

Observations: 1953.

Source: swisstaffing, gfs-zürich, 2019.

For people who would have preferred another form of employment, the temporary position is not the goal, but rather a bridge on the path to permanent employment. Four out of five of these temporary employees are seeking a permanent position and hope to increase their chances of finding one with temporary work. Their hopes are not built on sand. 24 months after starting the temporary employment phase, 55% of these temporary employees have found the permanent position they were seeking. 85% are integrated into the labor market if flexible forms of employment such as limited-term positions, temporary work, and self-employment are counted.

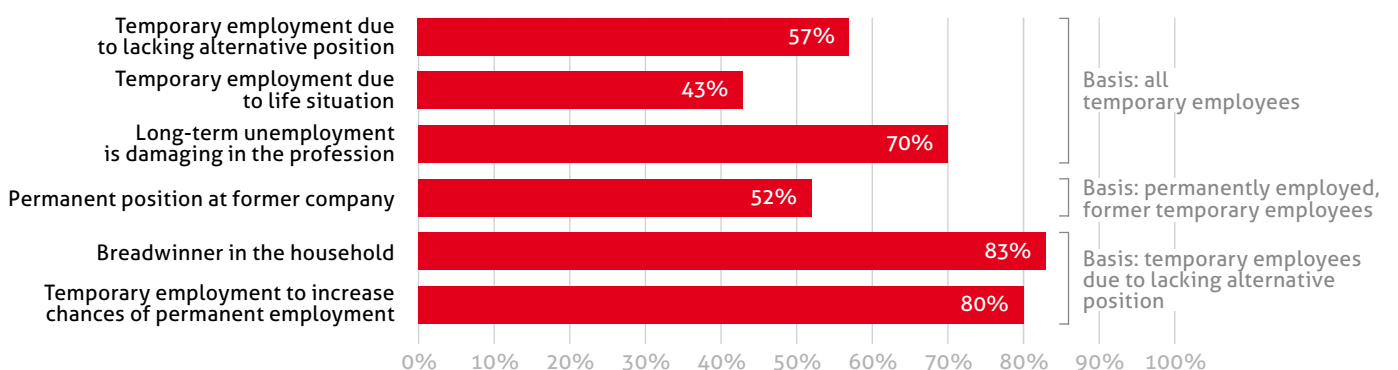
*The temporary employment phase is not a time of waiting, but rather of learning and reorientation on the labor market.*

“Acquiring professional experience and the necessary knowledge in an appropriate job” is just as central as “advice (of the staffing service provider) with respect to career planning and career possibilities” for a 28-year-old woman living in Bern.

The integration successes of the staffing industry are a gain for staffing service providers, the state, and temporary employees in equal measure. For staffing

service providers, the job-seekers are valuable employees whom they can assist on their path back to permanent positions. For the state, temporary employment pays off twice over. Instead of providing financial support, it receives taxes and social security contributions. The job is the greatest gain for temporary employees. It secures the standard of living of 80% of temporary employees, who would have preferred another form of employment and are the breadwinners in their household. Temporary employment offers them the opportunity to orient themselves on the labor market in peace and without pressure, and it reduces the psychological strain due to the loss of a job and unemployment. “The new perspective that we can offer them motivates many job-seekers,” says Adrian Diethelm, Managing Director of Express Personal AG – a statement that the economists Rafael Di Tella, Robert MacCulloch, and Andrew Oswald confirm (2003). In the overall population, 20% of people are dissatisfied with their life situation. Among the unemployed, the share is twice as high, at 40%. The reasons: In the workplace, people receive recognition of their professional accomplishments and find a platform for social exchange. Participation in economic life gives their lives a purpose. Therefore, integration into the labor market is just as important as integration into society for many people.

**Figure 2: Facts about the professional situation of (former) temporary employees**



**Note:** The figure displays selected facts about the professional situation of temporary employees. The questions about job loss, primary employment, and further employment at the former company are yes/no questions. The other questions were rated on a scale of 1 “does not apply” to 5 “completely correct.” For calculation of the percentage values, the scale values 4 and 5 were combined.

Observations: between 1571 and 4008.

Source: swisstaffing, gfs-zürich, 2019.

## The secret of the integration motor

What is the secret of the staffing industry's integration success? For politicians and authorities, this is a central question in order to continue the industry's previous success in the future and exploit its additional potential. The corporate survey by swissstaffing and gfs-zürich brings light into the darkness. The industry's recipe for success is a unique combination of flexibility, recruiting expertise, and staffing management. The short-term availability of suitable employees (82%), support for projects and seasonal fluctuations (67 or 66%), and getting to know new employees (49%) are the four most common reasons why companies use temporary employment. It is precisely short-term staffing needs that offer job-seekers the opportunity for quick re-entry since there is less competition with other candidates.

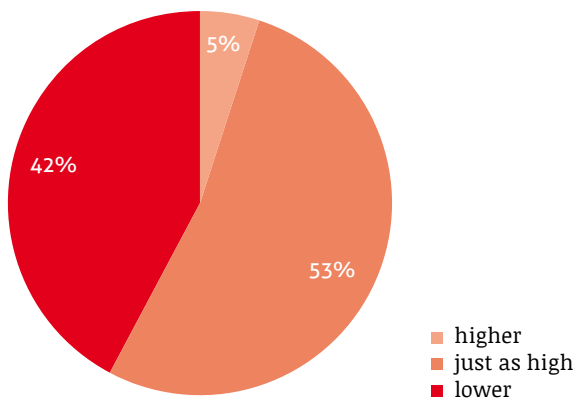
Furthermore, employment requirements are lower for temporary employees than for permanent employees at 42% of the companies. The jump to the company becomes easier. On-site, temporary employees can win people over with their personality and job performance instead of with a written CV. Therefore, temporary positions frequently become permanent positions.

*51% of the now permanently employed temporary employees work for a company for which they worked in the past.*

### Survey of former companies

In November and December 2018, swissstaffing commissioned gfs-zürich to conduct a company survey in which 687 companies participated. Letters were sent to the customers of eleven large and small temporary staffing companies, members of selected cantonal trade associations, and newsletter subscribers of HRToday. The survey was conducted in German, French, Italian, and English.

Figure 3: Qualification requirements for temporary employees as compared to permanent employees



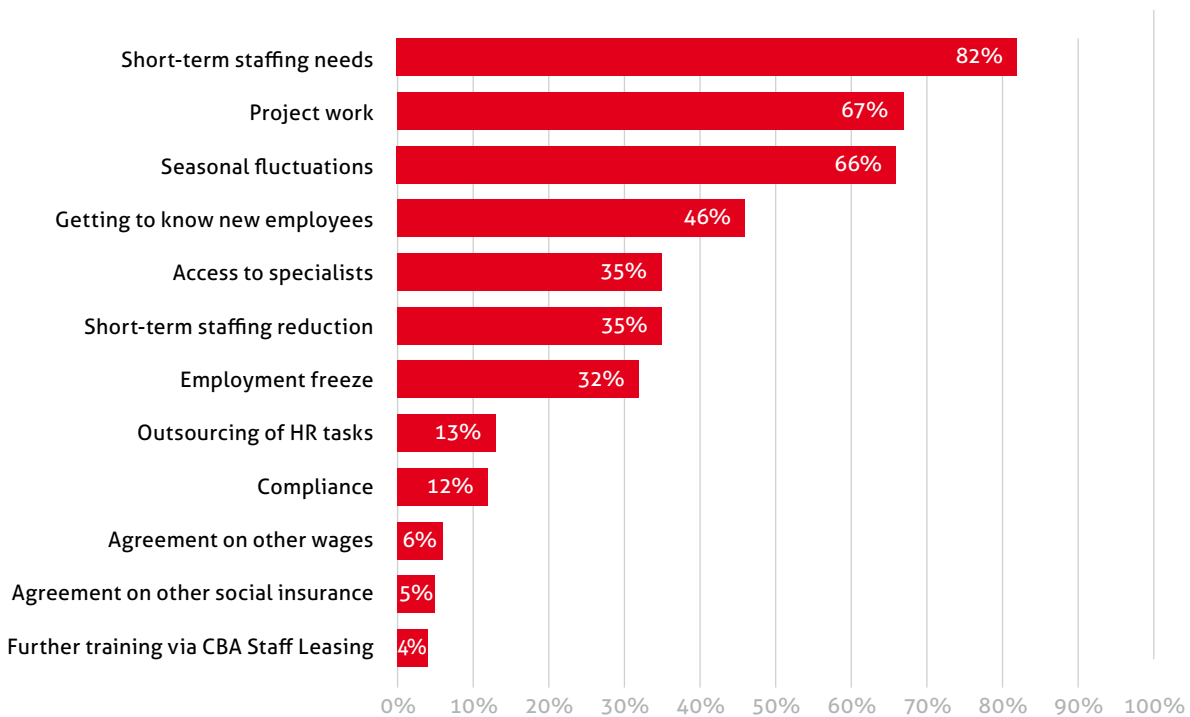
**Note:** The figure shows the qualification requirements of companies for temporary employees compared to permanent employees.

Observations: 417.

Source: swissstaffing, gfs-zürich, 2019.



**Figure 4: Reasons for using temporary employment from the companies' point of view**



**Note:** The figure shows why companies use temporary employment and if they are not using it currently, why they would use it.

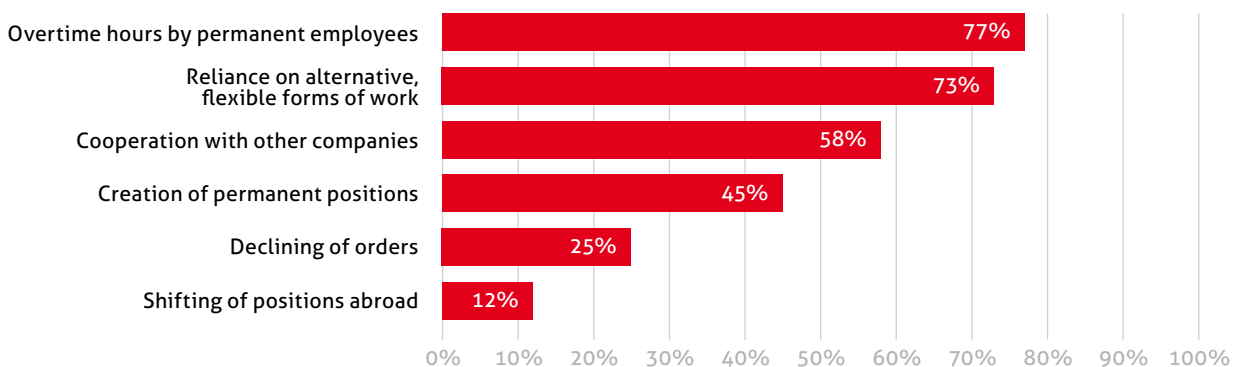
Observations: 649.

Source: swissstaffing, gfs-zürich, 2019.

Thanks to the flexibility of temporary employment and the low hiring hurdles, social security-qualified jobs are created more quickly and frequently. If temporary employment were not available, only 45% of companies would create additional permanent positions. Instead, in case of order peaks, the permanent staff would have to put in overtime hours (77%), the company would switch to alternative, flexible forms of work (73%) or cooperation with other companies would have to be sought (58%).

Contracts for services, mandates, and subcontractors would have to substitute for temporary employment. In comparison to the alternatives, temporary employment offers the advantage of combining flexibility, an easily-controllable contract system, and social security for the employees. After the analysis of a complex economic model for the German labor market, the economists Elke Jahn and Enzo Weber (2016) reach the same conclusion: 50% of temporary positions are created in addition.

**Figure 5: Entrepreneurial alternatives to temporary employment**



**Note:** The figure shows with which measures companies would react if they did not have temporary employment available to them as a form of work. HR professionals could answer the questions with yes and no.

Observations: 419.

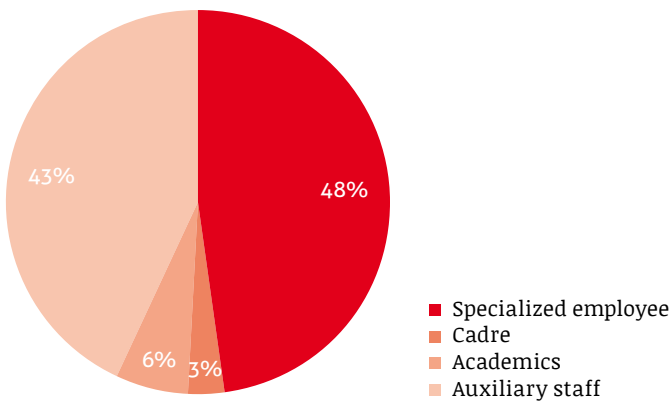
Source: swissstaffing, gfs-zürich, 2019.

## Magnet for specialized employees

The unique combination of flexibility, recruiting expertise, and HR management is just as attractive for specialized employees with a great need for autonomy as it is for job-seekers on the way back into the labor market. “Highly qualified specialized employees are becoming ever more important and in demand,” confirms Nicole Burth, CEO of the Adecco Group Switzerland. “Companies optimize processes and are increasingly acting in project-related fashion. Highly qualified specialized employees are ideally suited for this and bring their expertise to a variety of companies in the course of project work.” Such

temporary employees, who call themselves contractors, appreciate the flexibility of this work on the one hand, and on the other, the service of the HR service providers who take care of administration and searching for projects. In professions where there are shortages, such as nursing or construction, employers are increasingly using the flexibility of temporary employment in order to be able to influence working hours, wages, and workload. The benefits named make temporary employment a magnet for specialized workers and explain why 35% of companies use temporary employment to gain access to specialists.

Figure 6: Temporary employees by function



**Note:** The figure shows temporary employees according to the function they perform at the company.

Observations: 3897.

Source: swisstaffing, gfs-zürich, 2019.

*In times of shortages of skilled employees and labor shortages in general, the risk for companies of being the second choice is great. So they are in danger of losing the employees they are seeking to the competition.*

Staffing service providers are a valuable complement to the internal HR department. First of all, free employees can be recruited, hired, and if necessary developed quickly, whether because the job-seekers have recently lost their jobs, for personal reasons can only pursue a professional activity for a limited time or are receiving their second, third or other chances. On this path, the temporary industry builds the bridge between the shortage of specialized employees and the integration function. Secondly, staffing

service providers and internal HR departments pursue different recruiting strategies, whether for job postings via social media, direct addressing of passive job-seekers or reliance on the internal talent pool. The contribution of the industry to the recruiting of specialized employees is reflected in the qualification of the temporary employees. 9% have an academic degree or bear management responsibility. 48% are employed as specialized employees. 43% of temporary employees work as unskilled workers. Due to the general labor shortage, it is just as difficult to recruit reliable unskilled workers as specialized employees. The permanent position and chances of employment also indicate this. After 24 months, 58% of the specialized employees and 53% of the unskilled workers have found a new permanent position. 83% of the unskilled workers and 84% of the specialized employees are integrated into the labor market (see Figure 1).



## Shortage of skilled employees by industry

Not every difficult-to-fill vacancy is an indication of a shortage of specialized employees. In the survey of companies and temporary employees conducted by swissstaffing and gfs-zürich, those surveyed provided information about whether they are having difficulties recruiting specialized employees or whether it is easy to find a job in their industry. With respect to the shortage of specialized employees, their answers indicate big differences between industries.

While in the metal industry (83%), ancillary building trades (66%), and in the machine and electrical industry (65%) a clear majority of the companies bemoan a shortage of skilled workers, the share in retail trade (29%) and in communication and call

centers (36%) are the lowest. The lowest values in shortage sectors such as health & social (40%) and chemical & pharmaceutical (32%) are a surprise. Companies getting used to the permanent shortage of skilled workers, high fluctuation rates, international recruiting possibilities, and the readiness to develop talent in-house are possible explanations.

According to the specialized employees' estimation, civil engineering (73%), building construction (70%), and ancillary building trades (70%) together with hospitality (68%) and metal industry (68%) are the industries with shortages. In retail, by contrast, only 36% of the specialized employees perceived their job search as easy.

**Table 1: Recruiting difficulties by industry**

### Survey of the companies

Metal	83%
Ancillary construction industry	66%
Machine and electrical industry	65%
Hospitality & hotel industry	57%
Cleaning & household	56%
Other service	56%
Civil engineering	55%
Transport and storage	53%
<b>Average value of those surveyed</b>	<b>50%</b>
Building construction	47%
Food	46%
Banks & insurance companies	43%
Health & social	40%
Communication & call center	36%
Chemical & pharmaceutical	32%
Retail trade	29%

### Survey of the specialized employees

Civil engineering	73%
Building construction	70%
Ancillary construction industry	70%
Hospitality & hotel industry	68%
Metal	68%
Health & social	63%
Food	60%
<b>Average value of those surveyed</b>	<b>59%</b>
Machine and electrical industry	58%
Communication & call center	55%
Transport and storage	53%
Chemical & pharmaceutical	53%
Cleaning & household	52%
Other service	51%
Banks & insurance companies	44%
Retail trade	36%

**Note:** The table shows by industry how difficult companies find the recruiting of specialized employees and how easy jobseekers find the job search. While in the employee survey a yes/no question was posed, asking whether the job search is regarded as easy for an employee with the same qualification, the companies were surveyed on a scale from 1 "does not apply at all" to 5 "applies across the boards" about their recruiting difficulties. For the percentage values for the companies, the scale values 4 and 5 were combined.

Considered were only industries with more than 20 observations.

Source: swissstaffing, gfs-zürich, 2019.

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## The future: HR management, platform, inclusion

Since the turn of the century, the number of temporary employees in Switzerland has more than doubled. Behind this development stands a growing need for flexibility of operations and employees on the one hand. On the other hand, these numbers are an expression of two megatrends: outsourcing and digitalization, which are leaving their mark on the industry and promise further growth potential. In the course of payroll processing, for example, staffing service providers handle the wage accounting and HR management for parts of the staff. From a legal perspective, the employees are temporary workers, but they have de facto permanent positions at the hiring company. However, only 13% of the companies use temporary employment with this goal. Measured in work hours and positions, the volume is already high because it is frequently large companies that rely on this service. That 82% of the swisstafing members offer payroll indicates the attraction and potential of this service (cf. swisstafing, 2018).

For a few years already, digitalization has been taking the industry's integration function to a new level. New technologies are rapidly reducing the costs for handling the social security obligations of the

smallest orders for temporary work. Employee organizations see the beginnings of a new underclass in this development. However, the opposite is the case.

*The combination of platform and temporary employment conceals the potential for pulling informal employment relationships out of the "shadow economy" and providing them with social security.*

An opportunity, which is also confirmed by a social partnership impulse paper by the Foundation CH2048 (2018). On the other hand, for people who are outside of the labor market, platform work offers new, low-threshold possibilities for inclusion in the economy and society. The view into the future shows: Despite a history of more than 50 years, the potential of the staffing industry has not yet been exhausted. Therefore, temporary work is not a challenge, but rather the solution for the social questions that will be posed today and tomorrow.



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## Legal facts

### Minimum wages

Temporary companies take over the wage and working hour provisions of the Collaborative Bargaining Agreement Staff Leasing (CBASL), which are declared to be generally binding or that are in Appendix 1 of the CBA Staff Leasing (cf. Art. 3, Para. 1 CBASL; Art. 20 AVG (SR 823.11); Art. 48a AVV (SR 823.111)). For the other industries, the CBA Staff Leasing provides individual minimum wages. In normal wage areas, for unskilled workers in 2019, minimum wages in the amount of CHF 3475 apply, including a 13th month of wages. For skilled workers, the minimum wages are CHF 4310 including a 13th month of wages (cf. Art. 20, CBASL). Since 2012, the minimum wages for unskilled workers have increased by 15.8%. For the skilled workers, the increase is 7.8%. In a few exceptional industries with higher location and branch-office customary wages, the CBASL does not provide minimum wages. There, the higher normal wages are used.

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### Termination periods

#### For temporary employees (Art. 11, CBASL)

Probationary period: 2 days  
1<sup>st</sup> three months: 2 days  
4<sup>th</sup> to 6<sup>th</sup> month: 7 days  
Starting with 7<sup>th</sup> month: 1 month

#### For permanent employees (Art. 335b Para. 1 OR; Art. 335c Para. 1 OR)

Probationary period: 7 days  
1<sup>st</sup> year of service: 1 month  
2<sup>nd</sup> – 9<sup>th</sup> year of service: 2 months  
Starting with 9<sup>th</sup> year of service: 3 months

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### Transfer to the hiring company

After three months of temporary employment, the hiring companies can take over the temporary employees onto their permanent staff without having to pay damages to the staffing service provider (Art. 22 Para. 3 AVG). Thus, a balance of interests between the staffing provider's procurement service and the receipt of the bridge function for temporary employees is created.

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### Occupational benefit plan (BVG)

Employees with an obligation to support children must be insured starting on the 1<sup>st</sup> working day. If a deployment lasts longer than 3 months, there is also an obligation to insure starting from knowledge of the longer duration. For the other employees, the insurance is started on the 1<sup>st</sup> working day upon request. Deployments that have been served for the same staffing provider within the last 12 months are counted together (cf. CBASL, Art. 31).

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### Sick pay (KTG)

In case of illness, all temporary employees who are not drawing retirement pensions (AHV) have a claim to lost wage compensation and receive sick pay (cf. Art. 29 CBASL, Art. 324a OR). The claim counts starting on the day of the contractually agreed-upon start of work. After 2 days of maternity leave, there is a claim to 720 compensated days for employees with pension fund (BVG) obligation or activity in a generally binding CBA. Otherwise, there is a sick pay claim for 60 days.

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### Accident protection

The employees are insured during their deployment with the SUVA against occupational accidents. The insurance begins on the day of the contractually agreed-upon start of work. Non-occupational accidents will be covered according to the provisions of the SUVA (Art. 30 CBASL).

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### Further training

The temporary employees have a claim to generous training services and lost wage compensation from the temptraining training funds. The temporary employees can select courses freely from the offerings of more than 800 educational institutions in Switzerland. The requirements and services are listed at [www.temptraining.ch](http://www.temptraining.ch).

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