



PROBLEM

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SOLVED REVIEW

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Ergonos Services &
Solutions

Welcome to the latest edition of the Ergonos Newsletter!
by **Gianpaolo Carpanese, CEO**

During the years of temporary work's rise to prominence, public discussion in Germany strongly focused on low or unskilled workers and negative aspects like wage dumping or unequal treatment.

Nowadays, the debate is much more nuanced, resulting from at least three factors: the undeniable effectiveness of temporary work as a flexible HR tool at the beginning of and during the last recession, new legislation to counter misuse, and the emergence of a new "species" of temp worker. These newcomers are highly-qualified and often use temp work for their own flexibility needs—and thus echo the motivations of the very first temps of the American post-war era.

Our first article covers these issues and maps out, drawing on historical and current data, the evolution of temp work and how its original selling point as a flexible HR tool for employers and employees alike is presently experiencing a renaissance, as reflected by the trend of highly qualified temps. In our second feature, we portray Charles Handy, who achieved wider recognition with his bestseller *The Age of Unreason*, recently named as one of the top twenty-five most influential business management books by *Time Magazine*.

We hope you enjoy the reading and look forward to your feedback.



THE CHANGING NATURE OF TEMPING

In 2008 and 2009 at the height of the world's worst financial crisis in a generation, countless businesses around the globe struggled to stay afloat. For many firms in Germany, combatting the adverse impacts of the economic meltdown meant turning to flexible employment instruments like temporary employment, short-time working, and working time accounts.

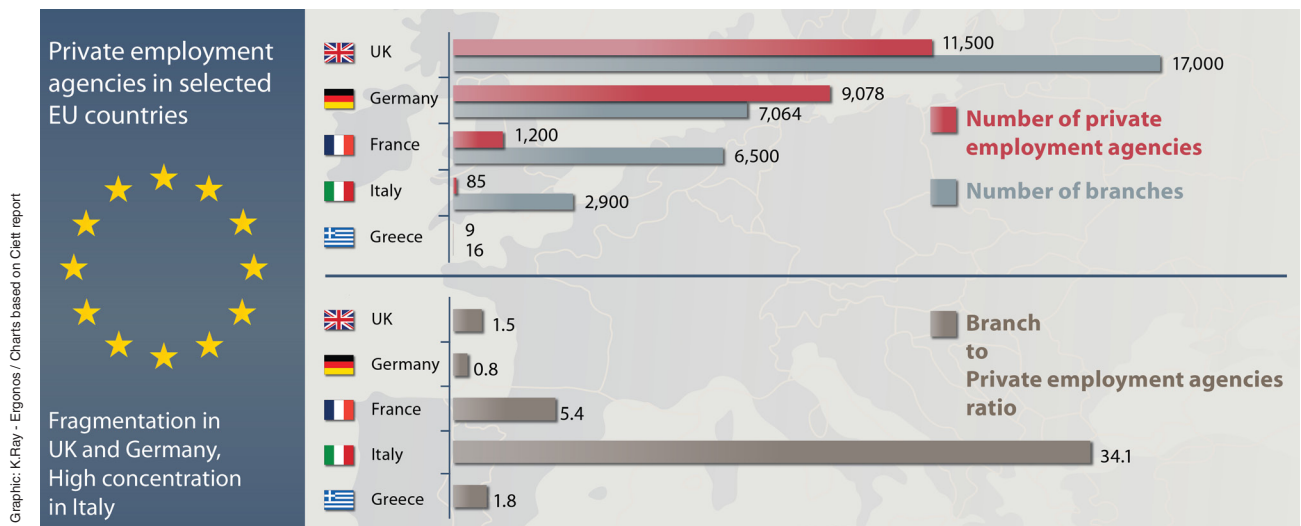
A recent study on the impacts of the crisis on German industry by the Cologne Institute for Economic Research (IW) spells out in no uncertain terms the role of temporary employment specifically in mitigating the initial and longer-term effects of the crash: "Temporary employment helped businesses overcome the economic and financial crisis without resorting to massive layoffs and quickly made personnel available for the upswing that followed. Without temporary employment the effects of the crisis on the German economy would have been far more severe and longer lasting." With its proven track record, many German industries have since hired even greater numbers of temporary workers in an effort to provide a buffer of protection against the next potential downturn.

Nowhere is this more in evidence than in the German automotive industry: in 2010 it employed 18,000 temporary workers, the number today has already reached 50,000, an increase of 178%. Above all else, the appeal of temporary employment for businesses is flexibility. It allows companies to easily add or reduce workers in direct relationship to market demands, thereby maximiz-

ing competitiveness and minimizing market volatility, a factor the IW report also cites: "The predominant motive behind why companies turn to temporary employment solutions is the flexibility such human resource options offer them...Temporary employment provides the necessary room to maneuver, companies experiencing above average fluctuations in sales during the financial crises profit from this."

Such assessments run counter to negative perceptions of temporary employment, promoted by labor unions and other critics, as a systemic "wage dumping" strategy for businesses looking to skirt payroll and other related operating costs. Indeed, of the businesses surveyed for the study, only a third viewed lowering wage costs as important. For the majority of businesses, the primary reason for using temps is flexibility or the ability to quickly adjust capacity in the short-term.

The recent rise and increasing popularity of temporary employment in Germany is a direct consequence of Agenda 2010, a series of structural changes targeting the social system and job market, passed into law by the German government in 2003. Included in these deregulatory reforms is the Temporary Employment Act, which allows temporary workers to stay in the same job for more than a year. As a result of these changes, Germany has experienced over the past several years a meteoric rise in the growth of private employment agencies. In fact, the current number of agencies operating in Germany outstrips the European



Source: Cielt (International Confederation of Private Employment Agencies): The agency work industry around the world, 2011 (based on figures available for 2009)

average, contrasting sharply with countries like Italy in particular, where only a small number of agencies exist.

Moreover, whereas in Italy a handful of agencies oversee a large number of branch offices, Germany's many private agencies also run a considerable number of branches, making the country a thriving hotbed of niche providers. With such diversity in the German employment agency market, the use of temp workers here is sure to remain an important instrument for helping businesses stay competitive in the turbulent years ahead.

Despite these advantages, media coverage of temporary work both in Germany and internationally more often than not still portrays the practice in a negative light. For many, temporary work smacks of wage dumping or is associated with a precarious, somewhat non-volunteer brand of emergency-work. To better understand why this is so, and whether this was always the case, perhaps a brief overview of the industry's historical origins is merited here.

Historical Backdrop

Today's international temporary employment industry has its roots in the United States in the years immediately following the Second World War. Although the first temporary agencies in the US date to the 1920s, the emergence of early industry powerhouses Kelly Girls and Manpower, founded in 1947 and 1948, respectively, heralded the consolidation of a sector whose revenues exceeded billions of dollars by the early 1990s.

Not surprisingly, the number of individuals employed as temporary workers in the United States also grew astronomically during the same period, from a few thousand people in 1946 to 1.5 million workers or 1.3 percent of the total work force by 1993, according to estimates by the Bureau of Labor Statistics. In the first days of the industry, temporary employment was thought of as a highly flexible tool for bridging short-term personnel vacancies due to illnesses or vacations.

While agencies like Manpower also dedicated a portion of their business activities to placing male blue-collar workers in interim jobs as "unloaders, warehousemen, shipping help, clean-up crew, laborers, and machine operators," as author Erin Hatton describes in *The Temp Industry and the Transformation of Work in*

America, the vast majority of the industry was focused on promoting itself as a stopgap clerical services job for women.

It was a strategy that played a key role in its early success: in the male-dominated workplace of the 1950s and 60s, where men held almost all of the permanent, skilled jobs, this approach avoided "undermining the authority of male breadwinners" as well as raising the objections of the then still powerful labor unions, whose



Detail of a Kelly Girl magazine advertising, USA, 1950s

Image courtesy of The Advertising Archives

organizational interests had little to do with "women's work." To create the image of the efficient and reliable temp, early promotional campaigns of agencies such as Kelly Girls marketed the "skills," "know-how," and "special training" of their female workers, as well as offering a guarantee of quality.

Ad campaigns played into 1950s stereotypes, casting temp work as "women's work" in order to justify an entirely new category of 'respectable' (white, middle-class) but marginal work." Images presented women as both workers and feminine, and echoed earlier World War II portrayals of Rosie the Riveter, who had worked in patriotic service to her country during the war effort. But with the war now over, the focus was different: the female temp worked "for glamour, self-fulfillment, and

independence.” While the intended outcomes were different, the temporary nature of each engagement formed the common bond between images: “Rosie only worked until her soldier came home from the war; Kelly only worked until her kids came home from school.” In just a few years, so-called “Kelly Girls” became cultural icons and the public face of the temporary employment industry—one based on the notion of flexibility, not just for the employer but also for the woman who does not need to work, but can earn a little extra money if so desired.

Negative Reputation

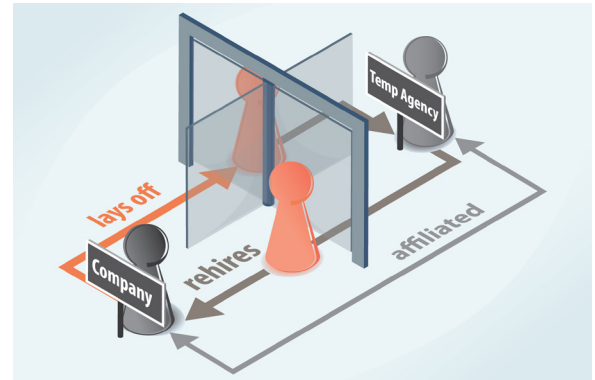
As the culture of the workplace and the nature of work itself began to shift, the temporary employment industry changed along with it, shedding its early image as a female clerical services industry, eventually growing to offer temporary placement services for marketing, technical, and other areas. In establishing itself as an integral part of the employment landscape in the United States and internationally, the industry also gained detractors. Central to what has become a popular critique is the assertion that businesses systematically misuse temporary work’s chief attribute and selling point—its flexibility—not as tool to compensate for operational peaks, or in the case of vacation of illness, but as a strategy for so-called “wage dumping” and to get around other permanent employee expenses such as health coverage or other benefits.

A recent example of this in Germany reported on heavily in the national press concerns Schlecker, the European drugstore chain giant. Schlecker was accused by labor unions and government officials of exploiting recent changes in the German job market by forcing its employees to take new contracts through Meniar, a temporary employment agency with close ties to Schlecker’s corporate structure. Described in the industry as the “revolving door effect,” Schlecker purportedly fired full-time employees making 12.71 euros an hour, only to rehire them through Meniar—the name stands for “Menschen in Arbeit” (People in Employment)—at 6.50-7.50 an hour, for the same job in a remodeled store.

Schlecker consistently denied allegations of wage dumping, but in early 2010, as a result of increasing negative publicity, the company announced it would no longer pursue future contracts with Meniar. In response to events, the Bundesrat, or German Federal Council, passed a new law this year, known as Lex Schlecker, which is designed to put a stop to future abuses of temporary work in Germany by preventing businesses from firing permanent employees only to rehire them as lower-paid temporary workers.

Temporary employment practices have also been

Graphic: K.Ray - Ergonos



The term “revolving door effect” is sometimes used to describe the abuse of temporary work when staff are laid off and rehired as temps. The German law “Lex Schlecker” aims to put a stop to this practice.

seen in a negative light, in Germany in particular, not just because they have ostensibly been used to get around Germany’s employee-friendly dismissal laws and collective wage agreements, but also as a result of statistical distortions that misrepresent the picture of their true position in the economy.

According to the Federal Association of Personnel Services (BZA), a 2011 study by the German Confederation of Trade Unions (DBG) unfairly compares mostly un-skilled temporary worker average wages with averages wages in the overall job market, which “includes CEO’s, top lawyers, engineers, or specialists who naturally earn considerably more than a sector in which half of the workers are unskilled or possess minimal qualifications.” In the view of the BZA, such distortions, rather than creating an accurate picture, only leads to sensationalist headlines and distorted public perceptions.

Highly-skilled Temps

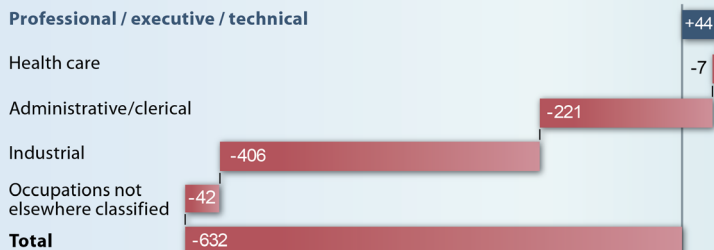
Nevertheless, away from these negative headlines a temporary jobs market for highly skilled and well-compensated specialists has taken hold in recent decades. Modeled around the industry’s original selling point as a flexible instrument for both employees and employers, it is now the fastest growing segment of the temporary employment sector, accounting for a significant percentage of temporary assignments. According to 2001 analysis by the American Staffing Association (ASA), “professional-managerial occupations composed over 20% of staffing services employment, while technical and information technology occupations composed another 6.4% and 9.3% respectively.”

Wages for such skilled positions are also competitive: *Bloomberg Business Week* reported that in 2009 “Kelly Services placed more than 100 people—including lawyers and scientists—in interim stints that paid more



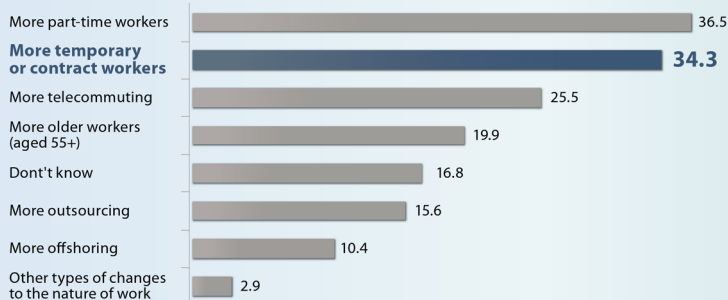
Selected charts from **McKinsey Global Institute:**
 "An economy that works - Job creation and America's future" (2011)

Change in contract labor services industry employment, 2003 - 2010 (Thousand)



From McKinsey Survey:

"In what ways will your company's workforce change over the next 5 years?" (Select all that apply) % of respondents (n=2,000)



Extracts from a McKinsey Global Institute study show that in the United States the group of highly-skilled professionals was not affected by the 2008 recession - and many executives anticipate greater use of temps in the future.

than \$250,000 a year." The appeal for many specialists seeking temporary employment opportunities through agencies is the flexibility such stints offer and, as reported by *Bloomberg Business Week*, "the challenge of working in short, adrenaline-packed chunks." Sydney Reiner, a California-based marketing expert who has worked five different assignments in five years as an interim chief marketing officer at companies like Coffee Bean & Tea Leaf, and Godiva Chocolatier explains: "I got a call from Godiva on a Wednesday asking if I could be on a plane to Japan on Saturday, I was."

The allure of new challenges remains a significant factor for other specialists as well, especially engineers, as Thomas Linder, President of the German Engineering Federation (VDMA), makes clear: "Many engineers gladly work in temp work agencies, they want to be flexible and are constantly looking for new assignments." For this new breed of interim specialists, temporary employment can also translate into an overall improved

working experience, where energies are not drained by office politics and other dramas but invested directly into the task at hand. Indeed temp work's inherent flexibility can offer something to both sides of the employment equation, in particular for those first entering a specialized market: not only does an interim contract offer individuals the chance to explore various industries and companies as well as to make new contacts, but it also benefits employers, who get qualified employees without having to make a long-term commitment.

Echoes of a Kelly Girl

"We still assume that you work your whole life long for the same company. This has changed in recent years," labor market expert Holger Bonin, ZEW Center for Economic Research. Since the founding of the temporary employment industry in the 1950s, assumptions about the nature of work and career have shifted dramatically. To a large extent, such attitudes have been fueled by larger structural changes in society, away from manufacturing based systems of economic production toward a highly fragmented and networked, post-Fordian globalized economy. The arc of the temporary employment industry has also reflected and responded to such changes, itself adapting to the high-paced demands of today, exacted across a wide spectrum of the employment market.

Higher qualified temp employees have one thing in common with the earlier Kelly Girls: they are oftentimes the ones to decide when to work. Likewise, then as now, flexibility remains important both to skilled workers and employers alike.

But the lower the qualifications, the greater the dependencies—as well as the inducement to use temp work's inherent flexibility for the wrong ends. This impulse must be resisted in order to avoid casting this invaluable practice in the wrong light. After all, temporary employment, alongside and in combination with other flexible employment trends, is simply an outstanding tool for weathering rough economic storms, as the recovery in Germany has dramatically shown—not to mention the thriving hotbed of domestic economic activity it has given rise to since. In the face of impending economic uncertainty in Europe and elsewhere its usefulness is not to be underestimated.



CHARLES HANDY - HR HALL OF FAME

Celebrated author, broadcaster, lecturer, and self-described social philosopher Charles Handy can now add another honor to his long list of achievements: the HR Most Influential Hall of Fame Lifetime Achievement Award. Established this year by



Photo © Elizabeth Handy

HR Magazine, the award recognizes individuals who have made an outstanding and exceptional contribution to HR thinking or practice. In a career spanning over thirty years, Handy has authored countless influential books and articles on organizational behavior and management, making him a must read author in the field.

Revered by HR directors and academics alike, Handy is consistently praised for his profound understanding of human behavior. In the words of one HR director: he is "as close to a people philosopher as you can get."

Handy's most popular book and bestseller, *The Age of Unreason*, first published in 1989, was recently named one of *Time Magazine's* Top 25 Most Influential Business Management Books. Written while a visiting professor at the London School of Economics, Handy argues that in today's era change is constant, random, or as he calls it "discontinuous." Dramatic changes in technology, in work practices, and in the virtual disappearance of lifelong, full-time jobs are transforming business, education, and the very nature of work. Adapting to such changes necessitates relinquishing the established rules, and experimenting with similarly discontinuous, new ways of thinking about how we work together.

In the book Handy introduces one of his most highly regarded critical concepts for illustrating the new paradigm of work: the Shamrock Model. An allusion to his Irish heritage, Handy uses the shamrock to represent

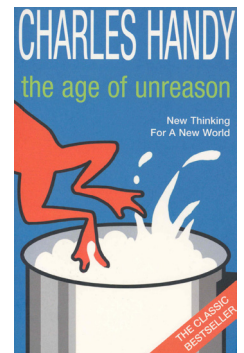
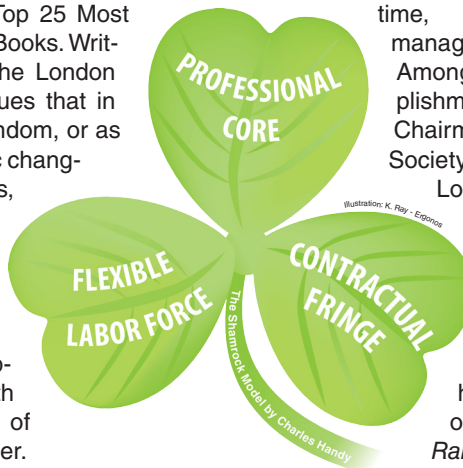
how today's organization "is made up of three very different groups of people, groups with different expectations, managed differently, paid differently, organized differently."

Each leaf depicts a distinct and essential part of the organization. The first leaf, *the core*, is made up of qualified professionals, technicians, and senior managers who are essential to the organization and its operation. The second leaf, *the contractual fringe*, consists of self-employed professionals or technicians who perform all non-essential work; in many cases they are former employees who prefer the flexibility of self-employment. The third leaf, *the flexible labor force*, describes all part-time and temporary workers hired to fill in the gaps; it is the fastest growing part of the employment scene. Indicative of the very discontinuity Handy seeks to describe, each component has "a different commitment to the organization, a different contractual relationship, and a different set of expectations." Staying ahead of today's fast-paced changes means managing such differences effectively and is the key to an organization's success.

Handy was born in 1932 in Kildare Ireland, the son of an archdeacon. He was educated in the classics at Oxford before beginning his professional career as a marketing executive at Shell International in South East Asia. In 1968, he co-founded the London Business School, where he later taught full-time, specializing in managerial psychology. Among other accomplishments, he was Chairman of the Royal Society of the Arts in London from 1987-

1989, and also holds honorary fellowships or doctorates from thirteen British universities and one from Trinity College, Dublin.

In addition to *The Age of Unreason*, he has authored numerous other books on management including *The Empty Raincoat* (*The Age of Paradox* in the US), and *Gods on Management*. Handy and his wife Elizabeth, his business partner and a portrait photographer, have two grown children and live in London and Norfolk in England.



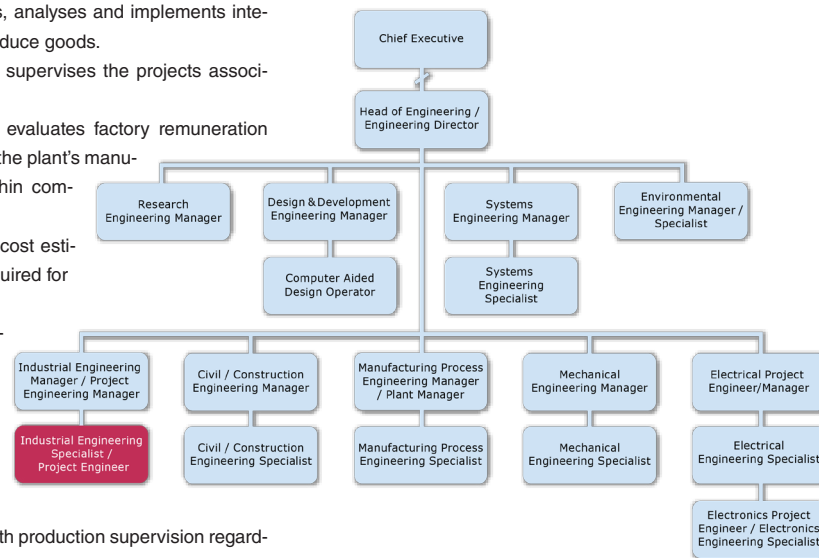
PULLOUT - ERGONOS BENCHMARKS



China: Industrial Engineering Specialist / Project Engineer

Job description and hierarchy

- Under the direction of the supervisor, designs, analyses and implements integrated systems material and equipment to produce goods.
- Provides technical support to production and supervises the projects associated with labor and material cost savings.
- Using pre-determined time systems reports, evaluates factory remuneration costs and standards of production throughout the plant's manufacturing operations and maintains them within company's budgets.
- Assists as appropriate the management with cost estimates, analysis and additional information required for the introduction of new products.
- Applies company's manufacturing methodologies to analyze plant manufacturing equipment and processes.
- Recommends and assists production supervision in implementing required changes.
- Accurately maintains the standard cost reporting system for both existing and new products.
- When applicable, maintains communication with production supervision regarding operating methods and incentives systems in use.
- Provides assistance in determining proper utilization of available manpower.
- Reports to the Industrial Engineering Manager.



Basic Benchmark in EUR*

* Average exchange rate for 5/2011, published by: European Central Bank (ECB), Data can be obtained free of charge from the ECB's website <http://www.ecb.int>

Junior (up to 4 years experience)

Average	6,134 EUR
75th percentile	7,098 EUR
Median	5,258 EUR
25th percentile	4,119 EUR

Middle (5 - 9 years experience)

Average	8,760 EUR
75th percentile	10,137 EUR
Median	7,509 EUR
25th percentile	5,882 EUR

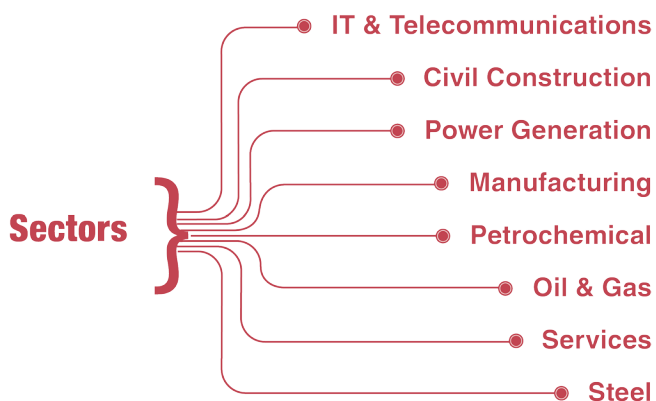
Senior (more than 10 years experience)

Average	11,372 EUR
75th percentile	13,160 EUR
Median	9,748 EUR
25th percentile	7,636 EUR



About Ergonos Consulting

Providing intelligent solutions for recruiting and outsourcing



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